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'Ethnic Cleansing' in Bosnia: A Savage Tale of Murder and Rape



Borislav Herak, 21, a Serb who is charged with 29 'ethnic cleansing' killings in Bosnia.

By John F. Burns New York Times Service SARAJEVO, Bosnia-Herzegovina — What Borislav Herak remembers most vividly about the sunny morning in late June when he and two companions gunned down 10 members of a Muslim family is the small girl, about 10, who tried to hide behind her grandmother as the three Serbian nationalist soldiers opened fire from about 10 paces.

Serbian married couple, also under arrest for war crimes, took the wrong road while driving from the suburban town of Vogosca to Hadzici, in the Serbian-held outskirts of Sarajevo. At a roadblock, they were stopped by a unit of the Bosnian Army defending Sarajevo. Almost immediately after his arrest there, Mr. Herak began telling investigators of his gruesome experiences as a Serbian fighter, including one incident in which he used a six-inch hunting knife to cut the throats of three captured Muslim men who were Bosnian soldiers.

first person to be executed legally for crimes committed in Europe's most brutal conflict since 1945. The indictment lists 29 individual murders between June and October, including eight rape-murders of Muslim women held prisoner in an abandoned motel and cafe outside Vogosca, 7 miles (11 kilometers) north of Sarajevo, where Mr. Herak said, he and other Serbian fighters were encouraged to rape women and then take them away to kill them on hillsides and other deserted places.

Europe Wary Of U.S. Plan To Put Troops In Somalia

British Term Proposal 'Too Vague,' French Demand More Details

By William E. Schmidt New York Times Service LONDON — Although acknowledging deep frustration over efforts to distribute aid to starving Somalis, European governments and international relief agencies reacted cautiously Friday to reports that the Bush administration wants to volunteer U.S. troops to safeguard famine relief in Somalia. Officials in Paris and London said they had not yet been formally consulted by Washington about the proposal, nor had they been asked to draw up contingency plans of their own to contribute troops to a larger multinational force.

New Money Dispute Splits Europe as Ministers Fail to Settle Budget

By Tom Redburn International Herald Tribune PARIS — As if the European Community's divisions over Maastricht, the farm deal with the United States and German monetary policy were not wrenching enough, a high-level meeting of the 12 EC governments broke up Friday after failing to end a stalemate over how to allocate funds between rich and poor members.

that dawn on Jan. 1, now threatens to end in disarray. In Brussels, foreign and finance ministers again split into warring camps. Spain, Portugal, Greece and Ireland all rejected Britain's latest proposal — backed by Germany and the Netherlands — to limit increases in EC spending.

After the meeting, ministers said the last chance this year for resolving the money dispute was to hope that top leaders at Edinburgh could somehow wrap it up within a broader political package. Although the allocation of funds is a traditional EC battleground, the budget fight has taken on added tension this year because of all the other splits that have stretched the Community's unity almost to the breaking point.

from Belgium and Spain. The deal would be rejected if those three nations joined together. That could precipitate a global trade crisis by isolating the Community within the 108-nation General Agreement on Tariffs and Trade, and plunging Europe back into a trade war with the United States.

Prime Minister Giuliano Amato had agreed to lobby Italy's partners to press for "ways of reducing the negative consequences" of the EC-US farm deal. The farm conflict, however, is not expected to come to a head soon, primarily because all sides have an interest in delaying a confrontation. The Community does not have to vote on the farm settlement until after it is included in an overall global trade agreement. By the time all the work is completed, France is expected to have replaced its current Socialist Party leadership with a new government of the right.

Neo-Nazi Group Banned In German Crackdown As Turks Mourn Dead

By Marc Fisher Washington Post Service HAMBURG — Under intense pressure at home and abroad to slam the brakes on neo-Nazi violence, Germany on Friday banned a small extremist group, prohibited the country's largest far-right party from holding a convention this weekend, and announced the arrests of eight reputed members of a gang organized to attack foreigners.

Federal prosecutors have taken over responsibility from local authorities, elite federal police troops are raiding far-right party offices, and Chancellor Helmut Kohl's government seems determined to make a public show of arresting those responsible for the more than 1,800 attacks on foreigners this year. The first ban on a neo-Nazi group hit the National Front, an anti-Semitic, anti-foreigner Western German party that has only 130 members, but is believed to have organized military exercises and attacks on foreigners. Interior Minister Rudolf Seiters called the party "an active fighting organization aimed at disposing of our democratic order."



FIRE AT HOFBURG — Vienna fire fighters hosing down the roof of the Hofburg, which was severely damaged Friday by a blaze. Page 5.

Tokyo, in Shift, Will Stockpile Its Plutonium

By David E. Sanger New York Times Service TOKYO — The Japanese government, conceding that technical problems are compounding the political headaches triggered by its sea shipment of more than a ton of plutonium from Europe, said Friday that despite its pledges not to stockpile the deadly material it would be forced to store the plutonium for at least three years.

Because the plutonium can be used to fabricate crude nuclear weapons, opposition groups have asserted that a stockpile of plutonium would pose a temptation to terrorists, as well as an environmental risk. But Japan's Science and Technology Agency said Friday that troubles in the fabrication of the plutonium into fuel would once again delay the start-up of a prototype breeder reactor on the Japan Sea coast. The reactor has been the focal point of the country's aggressive program to reduce its dependency on foreign supplies of nuclear fuel. It will not begin operations until the fall of 1993, a year later than originally planned.

A Real Underground Economy

By Fred Hiatt Washington Post Service MOSCOW — In the heyday of Soviet superpowerdom, officials prepared for inevitable American attack by carving an almost endless warren of underground chambers and secret subway lines beneath this and other major cities. Today, as authority crumbles and everything is put up for sale, these shrines to the Cold War are also finding their place on the market — as underground karate studios, bars for bodybuilders, and Japanese car dealerships.

While professing full support for the notion that the United States is no longer an enemy, General Filatov and his colleagues still part only reluctantly with statistics and other former state secrets. The general acknowledged, however, that there are "tens of thousands" of bomb shelters across the country, and he said 40 percent to 60 percent of them are rented out as warehouses, sports halls, garages and other "commercial structures." "We are reorienting ourselves for the needs of today," said Colonel Vyacheslav Mayorsky, a civil defense official in Moscow's north-

Kiosk Army Thwarts Caracas Coup

Venezuelan rebel soldiers bombed the presidential palace in Caracas on Friday in an attempted coup, but the government said loyal army troops put down the revolt. As many as 50 people were killed in and around the Venezuelan capital. Article, Page 2.

What's in Passport Files? Aide Says Nothing Was Sinister, Despite Scandal

By Paul F. Horvitz International Herald Tribune WASHINGTON — They are stacked high in tens of thousands of file boxes at a warehouse called "purgatory" that holds enough federal records to cover 20 soccer fields. They are on microfilm and in computers. And they go back nearly a century. But the U.S. passport files maintained by the government are, with a few exceptions, confidential under the law, agency procedure and Supreme Court mandate, according to lawyers and U.S. officials.

ers, with a distorted view of how and why U.S. passport records are kept, according to State Department officials and outside experts. "We would hope to dispel the misconception that we keep track of what Americans are doing overseas," said a department spokesman, who asked that his name not be used. Any "sinister aura" that may have been created by the scandal is mistaken, he added. The agency's estimated 100 million passport files generally contain little information beyond a confidential passport application and documents needed to prove citizenship, such as a birth certificate. The application contains basic physical characteristics, a photograph, phone numbers, a listing of occupation, information on parents and spouses, and an optional space for the name of someone to notify in case of emergency. Tax law also requires a Social Security number. The applications are kept for 100 years. The fundamental reason is so the government

Table with financial data: Dow Jones 15.94, Trib Index 0.09%, The Dollar, New York, Fed. Res., DM, Pound, Yen, FF.

See BUNKERS, Page 4

See FILES, Page 3

See JAPAN, Page 2

Hungry and Cold, Kurds Await Bitterest Enemy - Winter

By Chris Hedges
New York Times Service

D'HOK, Iraq — Soft, wet snow has begun to fall over northern Iraq, laying a mantle over the desolate steppe and signaling the start of what may well be one of the most difficult periods for the Iraqi Kurds since they were freed from the grip of Saddam Hussein's government 18 months ago.

The Kurds, crippled by a 15-month blockade by Baghdad that has left them bereft of kerosene for heating, food and basic supplies, will depend on the \$200 million in relief assistance, including \$43 million from the U.S. Agency for International Development and \$20 million from the European Community, that is just beginning to be trucked into the north.

The United Nations hopes to deliver at least 9 million gallons of kerosene by the

end of December and 13,000 tons of food. But its officials in northern Iraq fear that the program, hastily planned and beginning only now, may not be enough to avert disaster.

"We are way behind," a UN official said, "and we have grossly underestimated what the Kurds will need. Even if we had enough to hand out, which we do not, I do not think we could get it distributed in time."

The 4 million Kurds live in a security zone set up by the allied forces after an abortive rebellion just after the Gulf War. The zone, which runs roughly along Iraq's 36th parallel, was created to persuade 1.5 million Kurdish refugees in Turkey and Iran that it was safe to return home. It is monitored by a small team of military observers in the border town of Zakho and

frequent flights by warplanes based in Turkey.

The withdrawal of Iraqi forces from the north and Baghdad's decision to impose a strict embargo, refusing even to pay pensions or forward letters, speeded the Kurds' decision to form their own government this summer.

But the de facto Kurdish state, with meager revenues and few resources, has presided over a steady deterioration in living standards.

Roads and bridges are crumbling into disuse. There are frequent power outages. Gasoline can be bought only on the black market. And with a host of materials from window panes to spare parts for machines now unavailable, printing shops, mills, bakeries and garages have all had to shut, swelling the ranks of the unemployed.

Prices for basic items like kerosene have

risen more than 100 times what they were before the Iraqi blockade.

"We are grateful for what the United Nations is doing," said Massoud Barzani, the head of the Kurdistan Democratic Party, one of the two main Kurdish factions, "but what they are providing is little and will not solve the problems we face. The UN and international agencies should, in addition to relief, help us with some long-term development projects."

At least 8,000 families live in tents; tens of thousands will huddle in gutted buildings with only thin plastic sheeting covering the empty window frames.

The Kurds have chopped down most trees around the urban centers, with many families even digging out the roots, to stockpile fuel for the winter.

Families that have subsisted on vegetables for months now watch as prices spiral

upward and the volume in the markets decline.

"As we get closer to winter, we are beginning to see increasing numbers of children who have some degree of malnutrition," said Dr. Ghayath al-Dia Obeid Ala, the general director of health for D'hok Province. "Every day there is less and less to eat."

Fatima Ibrahim stood outside the one-room hovel where she lives with her husband and five children. For several weeks her family has survived on a cold porridge of chick peas and tomatoes while her husband scrounges for odd jobs.

Inside the room, two of Mrs. Ibrahim's young sons, wrapped in tattered gray blankets, lay on the floor, racked by high fevers.

"It is the winter that scares us the most," she said. "Before we could at least exist, but now we do not see a way out."

WORLD BRIEFS

U.S., U.K. and France Warn Libya

PARIS (AP) — France, Britain and the United States issued a warning to Libya on Friday for failing to comply with UN Security Council demands, and they vowed to make punitive sanctions against Tripoli "even more effective."

The nations warned that Libya would be "seriously mistaken" if it doubted their resolve. The joint statement, made public by the French Foreign Ministry, came a year to the day after the three nations demanded clarification on a Libyan role in the December 1988 bombing of a Pan Am flight over Lockerbie, Scotland, that killed 270 people and the September 1989 bombing of a UTA airliner over Niger that killed 170 people.

The Security Council on March 31 imposed an embargo on Libya to pressure Libya to hand over to the United States or Britain two Libyans suspected in the Lockerbie bombing. Paris has asked for Libyan cooperation in a French inquiry into the UTA bombing, in which four Libyans are suspected of being involved.

Farmers Jam French-Belgium Border

BRUSSELS (Reuters) — Belgian and French farmers blocked border points at the frontier with France on Friday to protest the EC-U.S. farm trade accord, a police spokesman said.

The spokesman said small groups of farmers from France and Belgium were scattered along the border area and were blocking roads with tractors. "There are very bad traffic jams," the spokesman said. "The farmers seem to be moving from place to place, so the situation is changing all the time."

Earlier Friday, the towns of Soignies, Braine-le-Comte and Castelm in southwestern Belgium were blocked by columns of tractors. They were later cleared and the situation was described as calm. Belgian farmers have been increasing their protests against the farm-subsidy accord approved Nov. 20 between the Community and Washington.

Support for Miyazawa Falls to 20%

TOKYO (Combined Dispatches) — Barely one in five Japanese voters now supports Prime Minister Kiichi Miyazawa and his scandal-plagued government, according to a poll published Friday.

Public approval of Mr. Miyazawa's government fell three percentage points in the past month, to 20.1 percent, according to the poll in the Yomiuri Shimbun.

More than two-thirds of respondents, 68 percent, said that Mr. Miyazawa and his ministers were doing a poor job. Of those, 51 percent cited the cabinet's lack of political ethics and its failure to introduce political change, and 40 percent disapproved of its handling of the flagging economy.

Testing a Way to Father With HIV

WASHINGTON (UPI) — Italian researchers have developed an experimental sperm "washing" process that appears to allow men infected with the AIDS virus to safely father children.

Dr. Augusto Scarpato of the University of Milan Medical School and his colleagues reported using the procedure to artificially inseminate 29 women with sperm from their HIV-infected husbands that had been cleaned of the deadly virus.

Fifteen of the women had become pregnant and 10 had healthy babies, with the oldest now being 3 years of age, the researchers reported Thursday in the international medical journal *The Lancet*. None of the women or the babies apparently had been infected with the AIDS-causing human immunodeficiency virus, the researchers said. However, they cautioned that more research was needed on the procedure.

Paris Orders New War Crime Inquiry

PARIS (AFP) — A French appeals court ordered a new grand jury investigation Friday into charges against Paul Touvier, a convicted Nazi collaborator, which were dropped in April by a lower court.

The ruling partly overturned the lower court decision to drop charges of crimes against humanity against Mr. Touvier, 77, who ran intelligence operations for the pro-Nazi Milice in Lyon during World War II.

France's highest court ordered a grand jury in Versailles to reconsider indicting Mr. Touvier for the executions of seven Jewish hostages in Rillieux-la-Pape in June 1944. The April ruling created a furor because Mr. Touvier had been sentenced to death in absentia in 1947. That sentence was automatically lapsed in 1967 and other charges were covered by a 1971 presidential pardon. Mr. Touvier was arrested in 1989 after more than 40 years of hiding, mostly in Catholic monasteries.

Damage Is Light in California Quake

BIG BEAR LAKE, California (AP) — A moderate earthquake jolted Southern California on Friday morning, cracking buildings walls, toppling chimneys and triggering rockslides. But overall damage was light and no injuries were reported.

The quake, which seismologists said was an aftershock to twin quakes that struck the region in June, was centered six miles (10 kilometers) north-northeast of Big Bear Lake, a resort in the San Bernardino Mountains. It struck shortly after 8 A.M. and was felt strongly in central Los Angeles, 75 miles west of the epicenter.

Kate Hutton, a seismologist for the California Institute of Technology in Pasadena, said the quake measured 5.4 on the Richter scale, according to a preliminary reading. John Muisch of the national earthquake information service in Golden, Colorado, set a preliminary estimate at a magnitude of 5.3.

Beirut Gets Tough on Merchants

By Ihsan A. Hijazi
New York Times Service

BEIRUT — Lebanese involved in business were shaken this past week after government inspectors backed by police escorts raided and closed a number of exclusive stores in the capital, accusing them of defrauding the public.

Videotapes of the raids shown on TV depicted stunned shopkeepers with their jaws dropping and their eyes bulging as they were reprimanded by policemen for failing to show proper invoices for merchandise and for overpricing.

The raids were among numerous measures employed recently by the authorities to inject discipline in a country used to the anarchy of 15 years of civil war.

In another part of the campaign, traffic violators were given a 24-hour warning by the traffic department, after which tow trucks removed double-parked cars. Traffic violation fees are doubled if not paid in 10 days.

"The next mission is to clear side streets from car vendors," a senior traffic official promised. Pedestrians can no longer use pavements because squatters selling used cars imported from Germany and the United States have taken them over.

People stealing electricity by stretching wires from their houses to power cables on the streets also have been fined. "The next time they do this they will have no electricity at all," warned John Lyon, the new director of the state power grid. He sent teams of collectors to thousands of homes to collect unpaid power bills.

Finance Minister Fouad Siniora said: "We are determined to collect all that is due to the treasury. Not one cent will be allowed to go unpaid."

Throughout the civil war, very few Lebanese paid income tax.



TO GO, PLEASE — A beggar outside the Beijing McDonald's being restrained Friday after she had drawn a crowd. The number of beggars, many from rural areas, has grown sharply this year.

Jittery Phnom Penh Said to 'Fight Dirty'

By Mary Kay Magistad
Washington Post Service

PHNOM PENH — Worried about whether it can win the UN-supervised election scheduled for the spring, Cambodia's Vietnamese-installed government has embarked on a campaign of harassment and violence against leading opposition parties. Western diplomats and opposition officials say.

"Officials in this government are just waking up in the fact that they're unpopular — and may even be voted out of office," a Western diplomat here said. "So now, they're fighting for their survival, and fighting dirty."

Most complaints come from parties representing two U.S.-backed guerrilla factions, said Dennis McNamara, head of the human rights office of the United Nations Transitional Authority in Cambodia.

"We're seeing arrests of party members for political reasons, harassment of civil servants who might want to join one of these parties, intimidation of human rights group members and allegations of political killings," Mr. McNamara said. "This can't continue if we're going to have a mandated, democratic process."

The UN peacekeeping operation was set in motion by the October 1991 Paris peace accord, which was signed by leaders of the Vietnamese-installed government and three guerrilla factions to end the 13-year-old civil war. Its mandate includes organizing and monitoring a national election by next May.

The Khmer Rouge guerrillas

have said they will not take part in the election or honor its results. Meanwhile, they continue to fight, giving government officials a convenient propaganda target.

"The problem comes from the Khmer Rouge side," said a government spokesman, Khieu Kanharith. "Not only do they violate the cease-fire, but they also expand their territory and displace some of their troops in places where they haven't been before."

More than 1 million Cambodians died during the reign of the Maoist Khmer Rouge from 1975 to January 1979.

Nearly 14 years ago, Vietnamese troops drove the Khmer Rouge from power and installed the current regime. Since then, the Phnom Penh government has cast itself as the only force that can save Cambodia from a return to genocide.

But leading opposition parties and human rights activists have accused the government of attacks and harassment.

"It is obvious that a free and fair election cannot be held in circumstances where people face threats to their lives, liberty and personal security for attempting to exercise their political rights," the chief of the UN transitional authority, Yasushi Akashi, said recently.

At least three persons have been shot and killed and 13 wounded in attacks and bombings since August, UN officials said. Most of the victims have been members of parties representing two U.S.-backed guerrilla factions: the Khmer People's National Liberation Front, and the royalist United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia.

Last week, two grenades were thrown into the United Front's office in Battambang, a provincial capital about 240 kilometers (150 miles) northwest of Phnom Penh. Seven persons in the office were wounded, three seriously, a UN spokesman reported. Two days earlier, a grenade thrown into a restaurant owned by a United Front official wounded four persons.

Although most complaints of political violence have been made against the Phnom Penh government, Mr. McNamara said UN human rights workers also had received "serious allegations" against the two U.S.-supported guerrilla factions. He declined to discuss specific cases.

Defying China, Hong Kong Votes Airport Funds

Compiled by Our Staff From Dispatches

HONG KONG — Hong Kong's Legislative Council voted by a narrow margin Friday to start building its planned \$10.6 billion airport, despite Chinese insistence that the colony must seek Beijing's approval first.

The council voted 27 to 25 to grant 6.67 billion Hong Kong dollars (\$865 million) for a contract awarded in July to a Japanese-led consortium to begin work on the 1,245-hectare (3,083-acre) site on an outlying island.

The vote, which followed five hours of fractious debate, sharpens the feud between Britain and China over how best to construct and pay for the Chek Lap Kok airport, one of the biggest engineering projects of the 1990s.

While British colonial authorities appear ready to proceed with the airport on a project-by-project basis, China does not want to start anything without an overall financing package.

Beijing fears it will be saddled with huge debts incurred in paying for the airport and related projects after Hong Kong reverts to Chinese rule in 1997.

Hamish McClood, Hong Kong's financial secretary, sidestepped questions about whether the government would seek financing for future contracts. He also refused to answer questions about whether the government had any contingency plans if Beijing continued to withhold approval for the project.

Tam Yu-chung, a council member who vot-

ed against the financing, said the vote would further aggravate the deteriorating relationship between China and Britain.

The two governments have tried for months to reach an overall agreement, but Beijing rejected the colonial government's latest plan in October to inject more cash into the project.

The billion airport is considered essential to the future of the territory as an international business center after its transfer to Chinese rule.

The vote on Friday will allow a consortium of Japanese, British, U.S., Chinese, Dutch and Belgian companies to start engineering an outlying island that will eventually house the airport terminal and two runways. (AFP, AP)

Japan Gets Voice of America

TOKYO — The Voice of America, the official radio broadcasting service of the U.S. government, will begin round-the-clock service in Japan on Dec. 1, the U.S. Embassy announced Friday.

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Up to 50 Killed in Venezuela As Loyalists Put Down Revolt

Compiled by Our Staff From Dispatches

CARACAS — The Venezuelan government said loyal troops had put down a coup attempt by rebel soldiers on Friday in which up to 50 people were killed, hundreds wounded and the presidential palace bombed.

President Carlos Andrés Pérez, surviving the second coup attempt since February, said in a televised address 10 hours after the uprising began that the government had regained control of all military installations except for the Maracay air base, 100 kilometers (60 miles) west of the capital.

The coup leaders had surrendered, Mr. Pérez said. "The situation is completely under control," he added.

The government imposed a 6 P.M. to 6 A.M. curfew in Venezuela and suspended constitutional rights.

Quoting Venezuelan legislators, the government news agency Vepsres said that as many as 50 people had been killed and hundreds had been wounded in the fighting.

The death toll was taken from hospitals around Caracas, the legislators quoted by Vepsres said.

Hospital in the capital were put on emergency status to deal with the large number of casualties in the coup attempt, the agency reported.

Aircraft under rebel command dropped several bombs on the presidential palace, and one hit its mark and damaged the upper floors of an administrative building.

Mr. Pérez, who was in another building was not hurt.

Bombs dropped by the rebels also blasted a hole 18 meters (20 yards) wide in a palace wall and left craters in surrounding streets.

Smoke billowed near the palace complex and at La Carlota air base, eight kilometers away, where rebel aircraft strafed government fighter planes on the ground.

Fighting shut down major thoroughfares in Caracas, and the few buses that operated in the capital were mobbed by frantic residents.

Among the dead were presidential guards and intelligence officers, according to Vepsres. About 100 rebel soldiers were arrested, the agency said.

A weary-looking Mr. Pérez, 70, said in the televised address that he had sent a column of tanks to Maracay to put down the remnants of the insurgency, which began when the rebels took over the country's main television station at dawn and announced their uprising.

At about 5:30 A.M., the station began broadcasting a videotaped message from Lieutenant Colonel Hugo Chavez Frias, the imprisoned leader of the February uprising, announcing the new overthrow attempt and

calling on Venezuelans to take to the streets in support of it.

Following the statement, three men, one in military uniform, made what appeared to be a live statement on the state television station, also calling for help from all Venezuelans.

The men said they belonged to the Bolivarian Revolutionary Movement, which they described as a civilian-military group.

The rebels, saying they were linked to the coup attempt in February, stated they had launched the insurgency in protest against what they termed a "false democracy" that was impoverishing Venezuelans.

Venezuela, the third-largest producer in the Organization of Oil Exporting Countries, has been beset by unrest, with critics accusing the government of not distributing oil riches in the public, citing corruption as a cause.

Mr. Pérez took office in February 1989 for a five-year term. Shortly after his inauguration, he introduced austerity measures that triggered rioting in Caracas in which at least 300 people were killed.

As the revolt was put down on Friday, the authorities announced they were suspending constitutional rights to freedom of speech, of the press and the right to protest. Security forces also will be allowed to search homes and make arrests without warrants.

As the coup attempt progressed Friday morning, about 1,000 civilians marched toward the presidential palace in support of the rebels, but the civilians dispersed when police fired tear gas.

Several cars and shops were set ablaze near the palace.

Military sources said that loyal troops had shot down at least two U.S.-made Bronco aircraft controlled by the rebels.

Heavy gunfire occurred at the state television station, where nine people were killed, according to a local radio station. A photographer said he saw four bodies outside the station.

The international airport was closed to prevent rebels from landing there, according to a Colombian radio report.

In Kennethunkon, Maine, the White House spokesman, Mark Fitzwater, said that President George Bush had called Mr. Pérez "to reassure him of our support for democracy around the world."

Mr. Fitzwater said that Mr. Bush had been briefed and "we understand it is coming under control."

The Organization of American States called an urgent session of its permanent council in Washington on Friday afternoon to discuss the rebellion.

Mr. Pérez said that gubernatorial and municipal elections scheduled for Dec. 6 would proceed as usual "to show the world that in Venezuela democracy was not altered, not even temporarily." (Reuters, AP)

TRAVEL UPDATE

French Transit in 24-Hour Shutdown

PARIS (Reuters) — Commuters in the French provinces resorted to bicycles and roller skates to get to work on Friday as a 24-hour public transportation strike snarled up about 50 towns around the country, French radio and transportation officials said.

Days after the end of a strike on the Paris Métro, workers dissatisfied with a new package of working conditions brought transit to a standstill in provincial cities including Lyon, Strasbourg, Mulhouse, Grenoble, Valence and Rennes. Private buses were chartered for schoolchildren, but they got caught in huge traffic jams. Other cities partly affected included Marseille, Bordeaux, Toulouse and Metz.

Paris, which had its share of strikes all of last week, was not involved. Local unions decided Thursday night to scrap a subway strike scheduled for Friday.

Truck drivers who had threatened to bring Italy to its knees suspended on Friday a planned nine-day strike after the government offered them huge subsidies. A group representing 110,000 haulage firms agreed to halt the strike after the cabinet said it would grant 870 billion lire (\$621 million) to avert it. The group, Unatras, carries 80 percent of Italy's gasoline, food and medicine. It had warned that gasoline stations would run dry within three days if the strike went ahead. (Reuters)

Japan and Russia have agreed to expand their air links, including flights between St. Petersburg and the new Osaka airport, which is due to open in 1994. Kyoto news agency reported Friday in Tokyo. (Reuters)

JAPAN: Plutonium to Be Stored

(Continued from page 1)

in Japan, where the public has an acute nuclear allergy.

Officials of other Asian countries have said that they are uneasy with any plan that will put so much plutonium in Japanese hands, even though Japan has long committed itself to never building or possessing a nuclear weapon.

Two weeks ago, in a reversal of position, Japanese officials said it was possible that future shipments would be scaled back.

They were responding to an outcry from several countries — including South Africa, Chile, and a number of Asian nations — that have banned Japan's plutonium transport ship from passing through their waters.

The shipment from France is supposed to arrive in Japan around the end of the year.

The softening of Japan's position set off a flurry of seemingly contradictory announcements from other Japanese officials involved in the plutonium program. In recent days, some have declared that the plan is being reviewed, while others called

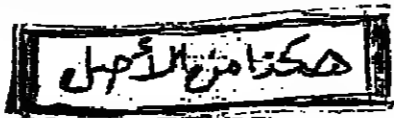
in reporters to say it would proceed, as planned.

Speaking to reporters on Friday, Naomichi Tamoda, the head of the nuclear fuel planning department of the government-affiliated Power Nuclear Corporation, said that, holding the fuel for three years would not violate Japan's pledge, not to stockpile fuel.

"This is within the limit of what we call a 'running stock,'" he said. "Some fuel would always have to be on hand, he said, to make sure that the breeder reactor — which both consumes and produces plutonium — would never run out of fuel."

Until recently, Japan has insisted that it would not be deterred in bringing 30 tons of plutonium to Japan in the next 10 to 20 years, an amount sufficient to fuel thousands of nuclear weapons.

Officials in Tokyo have said that Japan's neighbors have nothing to worry about, because the plutonium — a speck of which can cause cancer — is contained in special casks and heavily guarded. Japanese officials have said that they hope to bring a second shipment of plutonium to Japan from Europe in a year or two.



TRANSITION / GETTING ACQUAINTED

★ POLITICAL NOTES ★

Clinton Shores Up the California Connection

LOS ANGELES — Is it the sun, the waves, the old friends, or the 54 electoral college votes that brings Bill Clinton to California for his first vacation since he was elected president?

How about all of the above. Mr. Clinton's weekend visit to Southern California is primarily social, but with him the social and the political are as indivisible as the ocean and the beach. Aides say that this weekend's trip was intended also to underscore a political point: Unlike George Bush, who was frequently accused of shunning California, Mr. Clinton will concentrate on fortifying his political base in the largest state.

"We will not make the mistake of ignoring California," insisted David Wilhelm, Mr. Clinton's campaign manager and now the director of political affairs for the transition.

Despite those assurances, some in the state wonder if Mr. Clinton — the first Democratic presidential candidate to carry California since 1964 — can fulfill the expectations his election has aroused in areas as diverse as South Central Los Angeles and the Silicon Valley.

And some California representatives on Capitol Hill worry that for all the promises of tending to California, Mr. Clinton may feel more compelled to steer federal dollars toward the state's Sunbelt rivals of Texas and Florida — two rich electoral prizes the Democrat failed to carry.

"There are two ways to look at this," said a ranking California aide. "Does he reward California for bringing so much to the table, or does he try to shore up Texas and Florida where he lost?"

But to many of California's Clinton-watchers, the early signs are encouraging. To an unusual degree, Californians were well represented in the upper reaches of Mr. Clinton's campaign and remain so in his transition effort — starting at the top with the transition director, Warren M. Christopher, a Los Angeles attorney. And a long list of California business and political leaders are on the short lists of potential White House and cabinet appointments.

"On all counts, from friendship to political support, the California connection has been second only to the Arkansas connection," said Derek Shearer, a professor of public policy at Occidental College in Los Angeles, and one of Mr. Clinton's oldest friends in the state.

By all reports, Mr. Clinton seems to genuinely enjoy California, particularly Southern California. (LAT)

Environmentalists Dream of a Green Era

WASHINGTON — After spending most of the last 12 years in the political wilderness, environmental groups are dreaming of a forest-green Clinton administration.

A favorite to head the Environmental Protection Agency is well-positioned: Carol Browner, 36, Florida's secretary of environmental regulation, a former Senate aide to Vice President-elect Al Gore and now his transition chief. Another prime candidate is Madeleine M. Kunin, who gained Bill Clinton's respect when she governed Vermont and helped him choose Mr. Gore as his running mate.

Environmentalists have mixed feelings on retiring Senator Timothy E. Wirth, Democrat Colorado, a prospect to head the Energy or Interior departments. They like his support of alternative energy sources but some wince at his pro-nuclear stance. And Mr. Wirth is said to be dubious about tackling such no-win issues as nuclear waste disposal. Others in the running for top jobs include James Gustave Speth, president of the World Resources Institute; Jessica Tuchman Mathews, the institute's No. 2; and Fred Krupp, chairman of the Environmental Defense Fund. (LAT)

Bushes Spend Quiet Thanksgiving in Maine

KENNEBUNKPORT, Maine — Thanksgiving has always been a warm, cozy time in this soft-breed, charming New England fishing village and resort — particularly for George Bush.

The nation's 41st president spent his boyhood summers in the family's 26-room mansion on Walker's Point, and he has come back for family get-togethers every year except in 1944, when he was serving with the navy in the Pacific.

But this year, Mr. Bush and his wife, Barbara, spent a rather solitary Thanksgiving. Sean T. Walsh, a member of the White House press staff, said that the president and first lady celebrated alone Thursday, one of the few times in recent memory that they have not been joined by other family members or guests.

By comparison to previous years, the 11-acre compound in Kennebunkport is quiet. Secret Service agents continue to check motorists along the perimeter road, but there are few other signs that the Bushes are "at home." (LAT)

Quote-Unquote:

President-elect Bill Clinton, on his personal decisions: "I like to pick a good team and I really believe in team work. Once you put the team together — it's not like you can take 44 football players out there and you just have to play 11 at a time. You've got a team and there's no substitutions. So I'm trying to do a good job." (AP)

Away From Politics

• A glut of Christmas trees, more competition and the popularity of artificial trees have industry officials worried that this may be a tough holiday season for growers and sellers. Albert Gondeck, executive director of the Maine Christmas Tree Growers Association, which represents 250 growers, thinks he's got to the root of it: "There aren't enough people for all the trees."

• Two former students have sued Wayne State University in Detroit, saying that an English proficiency test that prevented them from graduating is racially biased. Martina Gifford and Otis Mathis, both black, say in a suit that more black than white students fail the exam.

• A 74-year-old woman felled an attempted carjacking, ramming her assailant's car and dragging one of the men down the street with her vehicle. "I wanted to kill them with my car," said Anne Stern, of Valley Stream, New York. "I'm amazed at how I behaved."

• A wave of arson fires in Seattle and its suburbs has caused about \$10 million in damage, officials said. Since early August, a record 107 fires have been set in the city and dozens more in the northern suburbs. No one has been injured, and no arrests have been made.

• Federal researchers hope a natural insecticide made from extracts of a tobacco plant will help fight a major agricultural scourge, the sweet potato whitefly. It has caused millions of dollars in damage to fruit and vegetable crops, alfalfa and cotton, in the West and South.

• The hallucinogenic drug LSD has returned to America's schools and streets, federal studies show. More youths were registered to try LSD and other hallucinogens than have tried cocaine, and LSD is second only to marijuana as the drug of choice for this age group.

• The Coast Guard has agreed on a compromise with the U.S. Lighthouse Society that will allow the nonprofit group to operate two or three old-timer foghorns in San Francisco Bay. Three weeks of protests followed the announcement of a plan to replace the deep, resonating horns with a high-pitched electronic beep. (LAT, Reuters, NYT, AP)

AMERICAN TOPICS

When Objects Fall From Overhead Bins

They fly through the air with the greatest of ease.

And bounce off your head and your neck and your knees.

The Association of Flight Attendants has estimated that items falling from the overhead storage bins on aircraft may account for at least one passenger injury every day in the United States. Documents recently filed in a Michigan lawsuit lend support to that estimate. The Washington Post reports.

According to the documents, which were filed by United Airlines, briefcases, carry-on bags

and metal luggage carts are the most common objects to fall on passengers.

But the documents also record passengers being struck by falling computers, tennis rackets, camera tripods, camera cases and other items. Blows were registered to the top of heads, to temples, jaws, cheekbones, mouths, necks, shoulders, chests, arms, hands, wrists, ankles and Achilles tendons.

In some cases items fell as passengers were stowing luggage. In others, they fell as flight attendants or passengers opened bins. In a few, the bins popped open of their own accord.

Short Takes

A plaque quoting Malcolm X at the University of Rhode Island has angered black students, who say the inscribed words of the slain Black Muslim leader misrepresent what he said. Two percent of the 11,770 undergraduates



President-elect Clinton giving a good-bye hug after visiting a homeless shelter in Little Rock.

Clinton Seeks Reagan's Advice — and Some Rest

Compiled by Our Staff From Dispatches

LOS ANGELES — President-elect Bill Clinton arrived in California on Friday for a brief vacation and some advice from former President Ronald Reagan on how to get things accomplished during his first year in office.

Mr. Clinton was 15 minutes late for the midday meeting with Mr. Reagan at the former president's office in central Los Angeles. Following the talks, the president-elect

was to take a long weekend off with his family, staying with friends in Southern California.

Earlier, before leaving Little Rock, Arkansas, Mr. Clinton discussed why he had requested the meeting.

"I want to ask him to talk about the transition and the first year of his presidency," Mr. Clinton said. "They gave it a lot of thought," Mr. Clinton said of the Reagan transition in 1980 and '81. "They

went after their agenda pretty hard, so I think we'll talk about that."

Mr. Clinton was asked if he agreed with those who have compared him to Mr. Reagan because both were swept into office on calls for change.

"Well, I hope we can pass our program, I'll say that," Mr. Clinton said. "And I hope that I can give the country a sense of momentum and optimism and hope."

Mr. Clinton's communications director, George Stephanopoulos, said the meeting with Mr. Reagan would be "basically a courtesy call, a get-acquainted session."

He added: "I think he has an awful lot to learn from anyone who sat in the Oval Office, and it should be a good meeting."

Throughout his campaign, Mr. Clinton attacked Mr. Reagan's economic leadership and said the former president's adoption of "trickle-down" economics had hurt most Americans.

But Mr. Stephanopoulos said Mr. Clinton also had commended Mr. Reagan for "facing down communism and in helping to end the Cold War."

The president-elect later planned to visit a shopping mall in suburban Los Angeles and to meet with holiday shoppers.

Mr. Clinton was to stay over-

night at the Santa Barbara home of Harry and Linda Bloodworth-Thomason, old friends and Hollywood producers who helped put Mr. Clinton's up-by-the-bootstraps image on film at the Democratic National Convention.

He planned to stay in the Santa Barbara area over the ocean through Monday, except for a day-and-night stay to Pasadena to visit friends Saturday.

His wife, Hillary, and daughter, Chelsea, 12, accompanied him. Clinton associates say he often uses long weekends away with Mrs. Clinton to make weighty decisions. He is contemplating his cabinet choices and interviewed some candidates earlier this week.

"I'm going slow on this," Mr. Clinton said of his cabinet selections in an interview Thursday.

The president-elect settled into the holiday mood Thursday, celebrating Thanksgiving with his family at home. He spent part of his holiday visiting shelters for the homeless and for battered women.

Mr. Clinton also voiced support Thursday for the Bush administration's offer of U.S. troops to help relief workers in Somalia.

He said he had "felt for a long time" that the United States ought to "do more" in Somalia.

Mr. Clinton found it "bear-

ing" that America was "ooh taking the initiative."

He added, "I think it is high time."

The president-elect stopped short of any more specific comment on how the situation should be handled, or did he spell out under what circumstances military force should be used. (AP, Reuters, LAT)

FILES: There's No 'Sinister Aura'

(Continued from page 1)

knows who is a citizen and who is not, especially when passports are reported lost or stolen.

"We don't keep records of people's travels," the State Department spokesman stressed. "Everything on the application is covered by the Privacy Act."

The passport application leaves space for the countries and dates of travel, but the box is marked "not mandatory." The agency uses this to locate citizens in emergencies, the department spokesman said. Expired passports are kept by applicants, not the State Department.

The files are searched when an accident outside the United States, such as a plane crash, involves American citizens whose identities need to be confirmed, or when citizens are trapped in a war zone, such as Kuwait.

They are also flagged with "look-out" designations in cases where passports should not be issued: certain criminal cases, persons who have renounced their citizenship, or individuals deemed a threat to national security or who have participated in activities abroad that could interfere with U.S. relations with foreign governments.

According to the agency, there are a "very, very small number of lookouts" in the national security area. The spokesman declined to provide any details, saying these files are classified.

The general passport files also contain any letters regarding citizenship. Usually, there is no correspondence. That was the case with Mr. Clinton's file, although political appointees in the State Department were trying to find a rumored note from the Vietnam era in which

Mr. Clinton was purportedly either renouncing his citizenship or requesting information on the procedure. The justification for the search was requests under the Freedom of Information Act.

Passport files are considered confidential under provisions of the Privacy Act, which protects files kept under an individual's name. But according to the State Department's inspector-general, who investigated the Clinton search scandal, there are exceptions. As the Clinton search made clear, political abuse is possible.

The most notable exception involves the Freedom of Information Act, a law designed to require disclosure by the government of information about how it operates.

The State Department interprets the various laws to mean that, in general, the disclosure of passport application information is barred without the consent of the individual.

However, in the case of public officials, the department believes it is required to search the files, without prior consent of the official, to determine which parts can be released without "a clearly unwarranted invasion of privacy." In the end, nothing may be deemed releasable. Requests for passport records on President George Bush, for example, have been denied.

In a major 1987 decision, the Supreme Court strongly backed provisions of the Privacy Act in a case that addressed the legal conflict between individual privacy needs and public disclosure requirements under the law, according to Allan Adler, former legislative counsel to the American Civil Liberties Union.

placed by ads. Now the Academy of Motion Picture Arts and Sciences has gotten around to recognizing this reality. After next year, there will be no more Oscars for short documentaries and short live-action films. Cartoons will not be affected.

Lost in the woods while hiking with a group? The first rule of survival, says Richard P. Marquis of Wheaton, Maryland, in a letter to The Washington Post, is "Stop and Stay Put!" Find the nearest spot where you are highly visible, and make a lot of noise.

"Both of our children were trained to stop and wait when lost or otherwise separated from us or each other," he writes. "This training paid off several times during their younger years. Because they remembered their training, we needed only to retrace our steps to locate a lost child."

Arthur Higbee

Little Rock Pride Rises Again As the Local Boy Hits the Top

By Michael Kelly

LITTLE ROCK, Arkansas — This is naturally a modest city. On cool mornings, the two buildings that are the high points on the skyline, the Excelsior Hotel and the headquarters of TCBY Yogurt, are obscured by the thick white fog that rises from the brown water of the Arkansas River as it courses through flat, swampy land.

Downtown, which once stretched for 25 bustling blocks along Main Street, has run down badly in recent years. Some businesses remain — a few inexpensive restaurants, a combined newsstand and liquor store, a handful of small clothing stores, some banks and lawyers' offices. But the department stores, the more popular restaurants and the cinemas are in the western part of the city at Park Plaza Mall.

In this climate the election of a local boy and boy governor, Bill Clinton, to the presidency has fallen like manna. His triumph in becoming the first Arkansan to be elected president has become a shared thing, proof that people here are just as good and as smart as anyone else.

Early Thursday, Mr. Clinton joined several hundred other dedicated runners for his sixth annual appearance at the city's annual Thanksgiving Day race, the Downtown YMCA's three-mile (five-kilometer) Turkey Trot. The other runners greeted him with a mixture of emotions that is peculiarly Little Rock these days, the intimacy of long-standing acquaintance mingling with a newfound pride.

Mr. Clinton, in silver tights, blue shorts and a white sweatshirt, touched and joked his way slowly through the crowd to the starting line, stopping often to give another autograph or pose for a snapshot.

"What Bill has done is just wonderful," said Sue Bonaminio, who came to Little Rock from Erie, Pennsylvania, seven years ago. "When I moved here, my mother said she didn't even know where Little Rock was. She said there was nothing here but hoodlums and hillbillies. Bill has showed people Arkansas is a real state. Little Rock is a real city, and we're real people."

Richard Brewer, who is 81 and runs the last, and moodily empty, barbershop on Main Street, talks of the president-elect with an easy, almost possessive, familiarity.

"I'm proud of Bill," he said. "He was born in a small town here, like me, like most people in Arkansas, and he's shown that someone like that could do whatever he set out to do. That'll make a lot of people realize that we're not just a bunch of rednecks and hillbillies."

Arkansas is a poor state with a violent past. In the

early 19th century, when Little Rock was young, Arkansas River men were regarded as terrifying brawlers, quick to reach for a Little Rock product known to saloon wis as "an Arkansas toothpick," the Bowie knife.

Poverty and crime remain big problems. In the annual indexes the government uses to quantify deprivation, Arkansas falls somewhere between 46th and 49th among states. "Thank God for Mississippi" is an unofficial slogan.

Crimes of violence have flourished over the last several years. This month, in the city's 52d homicide, a 12-year-old boy was charged with first-degree murder in the death of his 14-year-old uncle, shot in the head. The police noted that the boy was the 19th person aged 19 or under to be arrested in a homicide this year.

In recent political history, Little Rock was best known for its violent opposition to integration at Central High School in 1957, encouraged by Orval Faubus, governor at the time. In recent cultural history, it was known primarily as the hometown of the dizzy blonde whom Anita Loos said gentlemen preferred.

Mr. Brewer remembers when the barbershop in the old Hotel Marion kept five chairs running and when Representative Wilbur D. Mills held court in the lobby. Before he was toppled from power after bouts with alcoholism and public indiscretions with a striptease dancer in 1974, Mr. Mills, the longtime chairman of the House Ways and Means Committee, was one of the two or three most powerful men on Capitol Hill.

Back then, the downtown streets were packed Friday nights, and the stores stayed open until 9 P.M. People waited in line to get into the Lido Club and Miller's Steak House. Still, most of the 157,000 people who live here now probably would say that this is still a fine place to live, better than most.

Little Rock's downtown is not much more moribund than that of most older cities. The western section of the city is a young suburban boomtown, full of new homes, restaurants and stores, golf courses and athletic clubs.

Crime is oodlere near as terrible as it is in Washington. The poor parts of town are grim, but nothing like their counterparts in New York. People here have a cheerful amiability. The relationships between the moneyed and unmoneyed, and between black and white, seem notably relaxed.

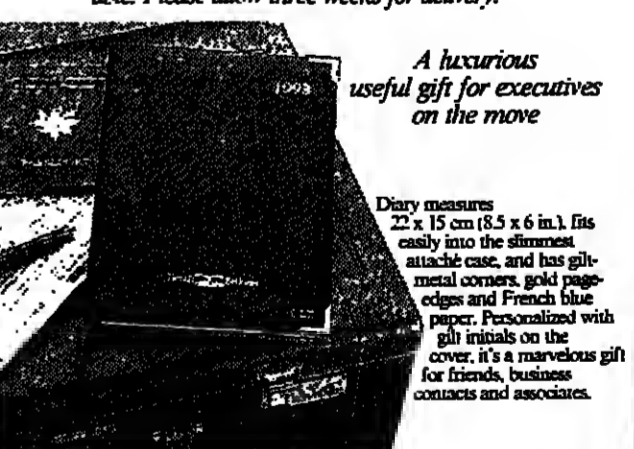
Among its other assets, Little Rock has a zoo, a symphony orchestra, a theatrical repertory company, a public school system that is better than many, a good public library, a historical society, a ballet company, an art museum and a museum of science and history.



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In Surprise Turn, A Somali Warlord Approves U.S. Move

By Jane Perlez
New York Times Service

MOGADISHU, Somalia — In an uncharacteristically conciliatory gesture, the most recalcitrant warlord in Somalia said Friday that he welcomed the U.S. initiative to protect food convoys for the starving. But he played down the central element — the offer to deploy troops under the United Nations banner.

The warlord, General Mohamed Farrah Aidid, who in the past year has launched his fighters across central and southern Somalia and who had threatened to send UN troops home in body bags, told a news conference here that he viewed the American move as "constructive."

At the same time, he said that military intervention would "not solve the problem." Officials said the remark was likely more face-saving than serious, however.

General Farrah Aidid pointed to the economic and political benefits that he said would accrue from a U.S. presence in a country devastated by clan warfare and famine. Relief officials say several hundred thousand people have died.

The main obstacle to improving the plight of 2 million hungry So-

malis has been the shooting and looting by clan gangs, many of them led by General Farrah Aidid's men, for food destined for the starving.

If the general did not challenge the U.S. military, UN and other officials here said, the task of opening the port and airport for food deliveries and protecting convoys would be simpler.

They added that if the general desisted, 5,000 rather than tens of thousands of troops would be able to do the job.

Foreign officials and Somalis interpreted the warlord's comments as a sign of his growing military and political weaknesses within the ever-moving clan alliances in Somalia. Last month, his forces were defeated at an important rural base, Bardera, and he appears about to lose control of a major coastal city, Kismayu.

Officials here said General Farrah Aidid, who at best might have several thousand fighters, armed with machine guns and some anti-aircraft, had no chance of obstructing the tens of thousands of well-equipped troops that the Bush administration said could be sent to Somalia.

A UN official said the reaction of a senior official in the general's group was: "We had better swim with the tide. We have no chance against 20,000 to 30,000 troops."

The nearly 400 foreign aid workers in Somalia, who have been striving under very poor security conditions to feed the starving, appeared relieved that General Farrah Aidid had gone out of his way to pledge their safety. There had been fears among some workers that they might become targets of more violence if the U.S. troops were imposed against the general's will.

Administration officials say the White House decision to offer soldiers to lead a larger UN contingent had been based in part on the premise that the death rate from starvation among Somalis was increasing again.

But senior humanitarian officials who have worked in Somalia throughout the crisis disputed this. They said that the deaths had dropped from thousands a day in May, June, July, August and September to hundreds a day now.

This was because so many weak people had already died, but also because the humanitarian effort of the past month had made a difference despite obstruction by looters.

The head of the International Red Cross operation here, Peter Stocker, said he believed hundreds of thousands had died last year and this year, mostly women and children.

In Bardera, the epicenter of the famine, the death rate reached a high over 300 a day in September. But it has dropped below 100 a day this month, Mr. Stocker said.

In Bardera, the death rate soared over 200 a day in September as thousands of people struggled in from the countryside. The death rate went down in early October but soared again to over 200 after General Farrah Aidid was evicted and aid workers were evacuated.

Two weeks ago, however, the daily death toll dropped to just about 100 a day after a new airlift began, the Red Cross said.

SOMALIA: Europe Is Wary

(Continued from page 1)

offered a more favorable initial response, describing it as being "in the right direction."

"The situation in Somalia is intolerable, a solution must be found to end the sufferings of the Somali people," the spokesman said. "France has no intention of staying idle."

But officials of international relief agencies based in Europe warned that any large-scale security operation for famine relief would be unsuccessful without the cooperation of warlords and clan leaders who are in effective control of many parts of the countryside.

Amanda Barnes, a spokesman for Save the Children, a British agency that is feeding 30,000 people in Mogadishu, said the idea of flooding Somalia with foreign troops amounted to a "knee-jerk reaction" that could result in more harm than good.

"If troops are to be used at all — and we accept that something needs to be done about security — it requires extreme sensitivity to the situation on the ground," she said.

So far, the United Nations has deployed only a contingent of about 500 lightly armed, Pakistani peacekeeping troops inside Somalia, but they have been able to do little to protect relief shipments.

The Pakistanis are the first wave of 3,500 peacekeeping troops committed to Somalia by the United Nations. Contingents from Canada, Belgium, Egypt and Nigeria have yet to arrive.

If the United States does agree to provide the troops as part of a much larger multinational security force, it is not clear which other allied nations would sign on.

Abortion Debate Unabated in Ireland

By James F. Clarity
New York Times Service

DUBLIN — Women elected to the new Irish Parliament said Friday that they would press the legislature to reconsider the issue of whether the abortion law should be further liberalized.

In a national referendum on Wednesday, voters approved two liberalizing proposals, but defeated a third, leaving this predominantly Roman Catholic country divided on the issue and unsure what kind of abortion law it will eventually have.

In the balloting, voters approved by margins of about 3-to-2 proposed constitutional amendments that guarantee the right to abortion information and the right of women to travel abroad for abortions, as an estimated 4,000 Irish women already do each year.

But they defeated, by about 2 to 1, an amendment that would have inserted in the constitution a provision stipulating new conditions for legal abortion: "It shall be unlawful to terminate the life of an unborn unless such termination is necessary to save the life, as distinct from the health, of the mother where there is an illness or disorder of the mother giving rise to a real and substantive risk to her life, not being a risk of self-destruction."

In the campaign before the vote, that amendment was opposed by both sides, one side feeling that it provided for immoral but legal abortion; the other feeling the amendment did not go far enough in giving women access to abortion.

On Friday night, the justice minister in the old government, Peadar Kirby, said the new Parliament, scheduled to convene Dec. 14, should consider new abortion legislation as an urgent matter, adding "we will have to legislate in a very careful, sensitive way." Mr. Kirby may lose his ministership, but he will be a member of the new Parliament.

Pressure for the new Parliament, elected Wednesday, to take up the

abortion question came almost immediately from two of the 14 women elected among the 166 members of the new Dail, as the legislature is known, where there were only 13 before the election.

In the election, the biggest gains were made by the Labor Party, which appeared to be in a position to determine the composition of a new coalition government. One of the new Labor members, Eithne Fitzgerald, who won in Dublin, said the language of the defeated amendment had outraged women and would have to be taken up again soon.

Senator Des Hanafin, the head of the Pro-Life Campaign, which considers abortion murder and campaigned against all the amendments, repeated his proposal that the new government hold another referendum in which people would be given a choice between a vote categorically against legal abortion, or in favor of liberalizing the law that came in a Supreme Court decision last February.

In that decision, the court ruled in the case of a 14-year-old girl who said she had been raped and wanted to go to London for an abortion. The government forbade her, causing an international uproar; the court overruled the government after the girl's doctors and lawyers said she was suicidal. That meant, most legal experts agree, that limited abortion had been legalized in Ireland for the first time.

On the second day of counting about 7 million paper ballots, official results indicated that Dick Spring, 42, the head of the Labor Party, would be in a position to determine which of the major parties, Fianna Fail or Fine Gael, might head a new coalition government.

With 133 of the 166 contests decided, projections were for Fianna Fail to have 71 seats, or 13 fewer than necessary for a simple majority; Fine Gael, 45, Labor 33, Progressive Democrats 10, the rest to smaller parties and independents.



Doctors explaining dosages of medicine to a Somali who had just arrived at a feeding center for famine victims in Mogadishu.

Vienna Fire Destroys Part of Hofburg

VIENNA — Fire engulfed part of Vienna's imperial Hofburg on Friday, and intense heat destroyed an ornate hall that witnessed the beginning of the end of the Cold War.

The fire, which may have been started by smoldering material left after maintenance work, turned the Redoutensaal, the hall where Soviet and U.S. leaders signed the 1979 SALT treaty, into a charred, roofless bulk.

Grooms sleeping downstairs near the stables of the Spanish Riding School were alerted by fire alarms and managed to lead all 69 of its Lipizzaner horses to safety.

"The fire destroyed a priceless part of Austria's cultural heritage," Finance Minister Wolfgang Schüssel said. He vowed to seek

government funds for rebuilding work immediately.

Parts of the Hofburg, residence for generations of Habsburg monarchs, date from the 13th century.

More than 350 fire fighters were rushed to the scene, but they were unable to save the 18th century Redoutensaal.

When the inferno threatened 192,000 irreplaceable volumes in the adjacent National Library, squads of policemen standing three to a ladder cleared the most-threatened shelves.

The library was saved, but damage to the Lipizzaner horses was estimated at \$100 million.

Like Britain's Windsor Castle, heavily damaged last week by fire, the Hofburg was not

insured because premiums on its priceless treasures would have been too high.

Unlike Windsor, it was fitted with fire alarms. They sounded in the nearby treasury rooms, where the crown jewels and other precious heirlooms of empire are kept.

Amid the dismay on Viennese faces as crowds surveyed the smoldering ruin, there was clear relief among the people that the Lipizzaners were saved. The animals stood blanketed in the cold, sunny weather in a circle around a fountain in the Volksgarten park, munching on hay carried out to them by passers-by.

No important art treasures were lost in the fire, officials of the state national heritage office said. Two minor tapestries were destroyed.

Britons Welcome Queen's Tax Offer

Compiled by Our Staff From Dispatches

LONDON — The offer of Queen Elizabeth II to pay income tax was widely welcomed Friday by a public that has been calling for a cheaper and more modern monarchy.

But some less devoted subjects said the pledge was a token gesture that might not restore the popularity of the House of Windsor and might not even raise much for the tax collector.

It took Britain by surprise Thursday when the government announced that the queen would abandon the sovereign's tax exemption and pick up the bill for the public duties of most of her family.

"Wham Bam! Thank You Ma'am," said the Daily Star newspaper, summing up widespread astonishment that the monarch had acted with such seeming promptness to quell public resentment. Anger had been brought to a peak by the huge bill anticipated for restoring Windsor Castle, which was damaged in a fire last week.

But the question was how big next year's tax bill would be for the queen. Estimates of her income vary widely, from as little as £1 million (\$1.5 million) a year to the same amount a month.

The government says the details are still being worked out, but the queen is expected to make only a voluntary payment, which, like her bank balance, might not be divulged to the public.

Harold Brooks-Baker, publishing director of Burke's Peerage, said the queen's decision had saved the monarchy.

"The public's animosity toward the royal family has grown out of

all proportion, to the extent where I believe it would have been only a matter of time before we faced a referendum on whether to have a republic," Mr. Brooks-Baker said.

Others were less sure that the renunciation of a tax privilege dating from the 1930s would be enough to stem a tide of irreverence about the royal family's marital dramas.

Tony Benn, a former Labor minister and a longtime opponent of the monarchy, said the queen's decision "just shows what public pressure can do."

"This may not be the end of the monarchy," Mr. Benn added, "but perhaps now people are beginning to question its existence."

The Times, once the loyal voice of the British establishment, said the changes were small and should give little encouragement to those who want a "miniature monarchy."

Under the new financial arrangement, the state's annual subsidy to the royal family will be cut to cover just the queen and two others, at a saving of less than £1 million.

Those thrown off the royal payroll — such as the hard-working Princess Anne — will have to have their immediate expenses paid by the royal household, but their official travel will still be covered by the state.

The list of royals supported by the state would include only the queen, who gets £7.9 million of the total now; her husband, Prince Philip, and her mother, Queen Elizabeth the Queen Mother, widow of George VI. Charles and Diana, the Prince and Princess of Wales, live off a separate income from his private estates. (Reuters, AP)

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INTERNATIONAL Herald Tribune

START Cannot Wait

Although the world now has an unprecedented opportunity to make radical cuts in its nuclear armories, that opportunity is going to fade fast.

Two senators, Sam Nunn, Democrat of Georgia, and Richard Lugar, Republican of Indiana, have just visited the four states that have Soviet strategic missiles — of which, they want to remind you, there are still thousands aimed at American targets.

The rest of the world, and particularly the turbulent and troubled part of it that used to be the Soviet Union, is not going to observe the Americans' time-out.

The two senators called on President George Bush to make one last effort which, if it succeeds, would produce a genuinely historic achievement and a much safer world.

Both Russia and the United States have now ratified the START agreement, with its large reductions in strategic weapons. But will Ukraine really do it? Ukraine says that it needs both help with the costs and guarantees of its security.

—THE WASHINGTON POST.

Sell Photos, Not Satellites

Open skies... spies in the sky... need-in-a-haystack accuracy: Cold War lore brims with stories about the astounding high-resolution photographs taken by American reconnaissance satellites from high in the heavens.

The U.S. government is weighing bids from the United Arab Emirates, Spain and South Korea to buy American spy satellites. The right answer is a fast, firm no.

Such sales might make a contribution to U.S. employment and exports — but it would be minuscule, and at a substantial risk. The photographs could be misused for nonpeaceable purposes.

days that it would take to map the battlefield, a front could shift many miles. True, satellite photography of advancing Iraqi tanks was said to have been instrumental in persuading Saudi Arabia to accept U.S. troop deployments in August 1990.

Without control of the satellite and the communications links, the United States would lose control of its intelligence. That is why, no matter how lucrative the market may be, the sensible bottom line is no sale.

To assure that spy satellite capabilities do not proliferate, the United States can cooperate with other suppliers. That is feasible. No other country has yet shown an interest in becoming a supplier.

Giving Muscle to the UN

When warring clans cause starvation in Somalia, or Serbia invades Bosnia and threatens Kosovo, the American impulse is to call in the United Nations.

The UN's ability to promote peace needs to be strengthened by placing standing forces, and funds, at its disposal.

Secretary-General Butros Butros Ghali is seeking just such a capability. But the United States has been slow to respond.

Now an independent commission offers four sensible recommendations on how the United States might organize itself to provide military muscle for UN missions:

command to plan for and train troops for UN operations. 2) Have the Pentagon designate one or two U.S.-based brigades for such contingencies. 3) Shift funding for UN peacekeeping operations from the State Department's budget to the Pentagon's. 4) Put two high-ranking officials, an undersecretary of state and an undersecretary of defense, in charge of America's involvement in UN and other international peacekeeping and peacemaking operations.

The study panel, co-sponsored by the Carnegie Endowment for International Peace and the Institute for International Economics, consisted of 30 distinguished former federal officials of both parties.

By giving strong backing to these proposals, President-elect Bill Clinton could help himself, and the world, by making it easier to arm the UN to intervene in places like Kosovo before conflict turns to war.

Other Comment

South Africa: Whiff of Peace

So hungry are ordinary people for even a whiff of peace that this week's good news has generated a mild and perfectly understandable bout of euphoria.

Heaven knows, there is a fragility about these developments. But this is not the time to dampen hope; rather it is a time to capitalize on it, to seize the moment.

Today's good intentions, allowed to dissipate, could see the country descending even deeper into the mire. Fortunately, we don't have to rely merely on good intentions.

political responsibilities; prodded the ANC into modifying its political goals and virtually abandoning its nationalization delusions; and driven home to the governing National Party the folly of its brinkmanship.

The need for urgent action, for a fast-moving timetable leading quickly and inexorably to interim government, cannot be doubted. Any failure on the part of political leaders to build on this more hopeful base would amount to national betrayal.

The greatest danger surely lies in the calm of social difficulties in which the 30 million blacks live, amid an unprecedented economic crisis. It is not certain that the prospect of elections offered them by President de Klerk will be enough to instill patience in those whose daily situation, despite a new political context, has not changed in the slightest since apartheid was abolished.



A UN Mandate to Keep — or Impose — the Peace

By William Pfaff

PARIS — There are plenty of people in the United States who have little to be thankful for, whom it has been official policy to consider objects of economic and social proscription.

The philosophy of the new Clinton administration is activist, unsung, to the presumed fatalities of the marketplace, so we may hope to see some change in this. But an equal fatality, and a more easily justified one, functions with respect to the catastrophic lives and deaths of people beyond America's — or anyone in the West's — direct control, for whom we are not in a causal sense responsible.

Africa's famine and civil war victims, and those of wars in Bosnia and the former Soviet Union, catch our passing attention and fleeing compassion when pictures or a witness make us pay attention. But they are as simply forgotten, because what, after all, can we really do?

Beyond simple charity — money, food, medical assistance — there is more that can be done than we commonly admit. Much was written and said after the Gulf War about "new world orders," and many believed that a revived United Nations, freed of the Cold War veto, could make a serious change in international relations.

A remarkable amount has been done. There is criticism of how the United Nations has functioned in Cambodia, Somalia, the former Yugoslavia and elsewhere, but by comparison with what the international community has been able to accomplish in the past, the record is not bad.

However, ideas of new world order have gone aground on the very hard problem posed by countries like Iraq or Serbia, outlaw powers yet serious and sovereign states, dangerous to their neighbors and defying international opinion, able to be checked only by major military counterforce, which other countries are reluctant to employ. But there are also simpler problems of order in contemporary international society, where a great deal might be accomplished.

A recent list of "populations in danger," published by the French humanitarian group Doctors Without Borders, lists Somalia as the place where people are most at risk today, with Sudan a neglected second — neglected because neither humanitarian agencies nor the press find it easy to get to Sudan, where a struggle that is both regional and religious in character has been going on since 1983, with an estimated 600,000 fatalities.

After that come the populations at risk in the Azerbaijan-Armenia struggle, the Bosnians, the Kurds, and on through a depressing list that includes South Americans (in Peru) and Asians

(in Burma and Sri Lanka), as well as people in other African countries, including Mozambique. (One could add Liberia today, and Angola should the struggle resume there.)

These risks fall into two categories. One is when a government is at war with a dissident part (or former part) of its population. The roots of conflict usually are ethnic, communal or religious difference. There is an authentic struggle of interests or identity, often a consequence of arbitrary national frontiers drawn during the imperial period.

The other case is when there is feeble government or virtually none at all, and an anarchical struggle goes on among local warlords, caught up in a fight for loot or power which has its own dynamic and from which they could not extricate themselves if they wanted. This notably is the case in Somalia and Liberia.

Both cases call out for external intervention either to impose order upon anarchy or to separate the re-

gional or ethnic combatants. In Africa, this certainly is feasible. The combatants usually are heavily overarmed — thanks mainly to the Cold War operations of the KGB, Cuba, South Africa and the CIA — but would be incapable of serious resistance to a modern and disciplined intervention from outside, prepared to impose its own government. They are too weak, too confused, too undisciplined. Order and peace could be restored if the international community wished to do so.

This, of course, means neocolonialism. But let us give it a better name, with solid historical warranty, the institution of mandated territories was established after World War I by Article 22 of the League of Nations in order to provide government for dependent territories. (After World War II this was turned into the UN trusteeship system, but by then only very small territorial entities were concerned. Only Micronesia, in the Pacific, remains a trusteeship today.)

The mandate system was an innovation in international law in that the mandate existed for the sake of the inhabitants of the territory and was supervised by the international community, acting through the League. In most cases the provisional or potential independence of the people involved was recognized, but was subjected to the demonstration of their ability to govern themselves.

The mandate system should be revived, although with an international force directly under the UN as executor of the mandate, not an individual nation. The multinational UN peacekeeping commands are a useful model. There are societies today in danger of extermination. In their interest, and in the interest of international community itself, they deserve to be placed under international administration and protection. We cannot remain simple spectators at the corporate suicide of peoples incapable of governing — or saving — themselves.

International Herald Tribune
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Stop Tolerating the Massacre of Bosnia

By Anthony Lewis

DALLAS — President George Bush's offer to send a substantial military force to Somalia is twice blessed. It offers hope to the starving there. And it raises the possibility that Mr. Bush will at last take firm action on that other human and political disaster, Bosnia.

Over the last eight months Serbian aggressors have killed thousands of Bosnians, and driven hundreds of thousands from their homes, solely because of their religion. They are Muslims, and on that ground the Serbs have treated them as subhuman: Untermenschen, in Nietzsche.

Anyone who thinks the Nazi comparison with what the Serbs are doing is exaggerated should read David Rieff's Letter from Bosnia in The New Yorker of Nov. 23. Read it, and think of the victims as Jews instead of Muslims.

Banja Luka was the second city of Bosnia, with fine hotels, theater, churches and mosques. Its mixed population — Serb, Croat, Muslim — lived in peace. Last spring, when Serbian forces began attacking in Bosnia, they took over Banja Luka. Quickly, Mr. Rieff writes, they expelled all non-Serbs from jobs where they could make "independent decisions." That meant managers, foremen, bookkeepers and so on.

The Nazi regime in Germany began by barring Jews from many jobs. And Mr. Rieff says that from the

beginning in humiliation and impoverishment the Serbian process of "ethnic cleansing" progressed to expulsion and killing.

The Muslims of Bosnia are Slavs, just as the Serbs are. How, then, to identify a Muslim man? Make him drop his trousers. Muslims, like Jews, are circumcised.

Serbian military attacks in what was Yugoslavia have been going on for more than a year now: first against Croatia, then starting last spring against Bosnia.

More than 14,000 Bosnians have been killed. The Serbs, who have plenty of weapons from the former Yugoslav army, have captured about 70 percent of Bosnia.

I get letters from people of Serbian heritage charging me with unfairness in criticizing Serbian aggression. For them I have simple questions: Why are Serbian gunmen still attacking in Bosnia? Why are they cutting the throats of Muslim children and Muslim clerics?

For nearly eight months now Serbian gunmen have had the Bosnian capital of Sarajevo under siege. The city has been ruined by shelling, 2,800 people killed, almost 50,000 injured. What political cause can justify such savagery?

it is governed by the United States.)

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Lonely, Yes, But Then He Asked for It

By A. M. Rosenthal

LONDON — Americans like to think of their president as the leader of the free world — a thought that lugubly annoys a sizable number of other presidents, prime ministers and the people who happened to vote them into office.

"A" leader, certainly. "Important" leader, without doubt. But, around the globe there are millions of crude and ungrateful enough to believe that their own leaders also are exercising some kind of role and have some use in the world.

And of course, despite U.S. money and power, it was never true that the American president was the single leader. It could not be true, not while Churchill lived, or de Gaulle passed down like a great griffin on lesser creatures, while a Thatcher or an Adenauer dispensed courage, while Havel was speaking the dreams of the captive peoples, while the mind of a Nehru kept across continents to make itself felt, or Sadat and Begin kept across hatred to make a decent peace.

But suddenly, it really is true — Bill Clinton is the leader of the free world. The new U.S. president will have a tougher job than his predecessors, because he will be all alone out there.

And it is not only just because the leaders who shared influence with American presidents are dead, out of power, or like Vaclav Havel, unable to fulfill their dreams.

Mr. Clinton will be alone because the mandate existed for the sake of the inhabitants of the territory and was supervised by the international community, acting through the League. In most cases the provisional or potential independence of the people involved was recognized, but was subjected to the demonstration of their ability to govern themselves.

The mandate system should be revived, although with an international force directly under the UN as executor of the mandate, not an individual nation. The multinational UN peacekeeping commands are a useful model. There are societies today in danger of extermination. In their interest, and in the interest of international community itself, they deserve to be placed under international administration and protection. We cannot remain simple spectators at the corporate suicide of peoples incapable of governing — or saving — themselves.

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Already, realpoliticians are pecking at Clinton.

are working themselves back. Inevitable — since their nations decided not to bar top Communist hacks from office for a period of denazification.

Bois Yvelin, who still can be a leader of a democratic Russia, is being left to hang out and freeze. The West gives him more money than help. And some Western Sovietologists still dream of a Gorbachev Soviet reborn. In Russia, Communists and fascists, brothers from the womb, try to destroy him. So President Clinton will be alone at a time when the United States does not have all the money in the world, when American military might has become less mighty than the blood-

ists of Balkan and African tobes. There he is, promising to keep the faith to peacemakers and humanitarians in and out of office. That there really is a difference between democracy and tyranny — yes, as he put it, from Baghdad to Beijing.

The realpoliticians, who led the world from one war to another, cannot stomach his democratic realism. They will be pecking at the man forever, trying to get him to recant.

They have started already. They decide that his restatement of belief in pressing Communism China into human rights decrees, plus some overly polite words about Bushchikov, somewhat mean that he has changed his own beliefs.

But he is hardly to be pitted. Worldly leaders will rise, as one has in Mexico. What is more, Mr. Clinton has self-protective common sense. If he uses it he will pick a secretary of state as he picked a vice president: somebody who will bring him expertise and political strength.

An excellent somebody would be Joane Kirkpatrick — experienced, wise and intellectually expensive. Her life and beliefs would send a message around the world: America will protect its interests, and one of them is freedom.

Well, Mr. Clinton has seen fit to disregard my advice before, so he may do so again. But surely he will consult Vice President-elect Al Gore about the secretaryship, and, over the years, about foreign matters generally. He should. Mr. Gore would make a great secretary of state if he could be rescued from baby-sitting the Senate.

And any time I think of Mr. Clinton's job and how hard it will be, I think of Secretary Bushchikov. He was an editor at The New York Times, a newsman that I once complained in that all day long his news clerk had to get up and walk 20 steps whenever he wanted to talk to him.

Mr. Bushchikov looked up at me. "So what?" he said. "The kid came here looking for work, didn't he?"

The New York Times

Violence Is a Preventable 'Disease'

By George F. Will

ATLANTA — Few noticed, but in 1990 the United States passed a good milestone. In at least two states, Texas and Louisiana, the leading cause of death by injury was not motor vehicles but guns.

Mark Rosenberg noticed. He is a doctor at the Centers for Disease Control, specializing in injury prevention, particularly the prevention of violence. Violence is epidemic, and epidemiologists' skills are relevant to rendering violence a treatable public health problem.

Throughout mankind's history, the leading causes of premature death have been infectious diseases and injuries. Control of infectious diseases began accelerating in 1796, when Edward Jenner developed the first vaccine, for smallpox. Since then, improved sanitation, hygiene, housing, food handling, pesticides and education have joined the inventory of disease controls.

The contrast with the failure to apply scientific intelligence to the preventing of violence — self-inflicted (suicides) and assaultive — is marked. Violence is not a disease, but neither is it something simply to be endured. Consider two analogies. Smoking is not a disease, it is socially costly addictive behavior, and it is demonstrably combatable. If the motor vehicle fatality rate of 1952 had been the same in 1989, 155,075 Americans would have died in vehicular accidents. But only 45,553 did, because the problem was treatable (with improved vehicle and highway design, licensing requirements, motorcycle helmet laws and other measures).

About one-third of the 150,000 deaths per year from injuries are from suicide or assaultive violence. The U.S. homicide rate for black males aged 15 to 24 ranges from 17 to 283 times greater than the male homicide rates in 17 other industrial nations. Homicide is the second-leading cause of death by injury among those aged 1 to 19 and the leading cause of deaths for blacks, male and female, aged 15 to 34.

Epidemiology looks for patterns in large numbers, and for predictive and diagnostic implications for at-risk individuals and groups, and for risky behavior. For example, Dr. Rosenberg says, in 30 years the suicide rate in ages 15 to 24 has tripled. The prototypical suicide casualty is no longer an older, depressed male. The rate is rising most rapidly among younger males who are not usually

depressed but are angry, frustrated, resentful, often using drugs and unable to communicate their distress.

The idea of government "treating" violence has occasionally aroused resistance on the right, which fears the rise of a therapeutic state staffed by what C. S. Lewis called "official straighteners," coercive utopians trying to make something straight from the crooked timber of humanity. On the left, the suspicion is that government's focus on violence masks an attempt to control the disadvantaged by targeting racial and ethnic minorities.

The fiction that violence research is a racist plot was fueled recently by misguided proposals for research on "genetic factors in crime." There is no behavior for which any single gene has been identified as the cause. Granted, there are interesting avenues of biological research, such as possible linkages between nutrition, brain chemistry and behavior. However, the objective of the Centers for Disease Control, Dr. Rosenberg says, is not to find a pacifying drug or any other strategy of biological intervention. The objective is the empowerment of communities, so that they will not be passive victims.

Practical measures against violence are many: conflict-resolution skills, for individuals and adolescents' gangs; improved public lighting; bullet-proof barriers for cabdrivers; reduced alcohol and drug consumption; gun control; family life education; condemnation of entertainment that fosters cultural acceptance of violence as a response to grievance; metal detectors to deter the one in 20 high school students who today carries a gun, and so on.

Today, in ages 1 to 19, more Americans die of injuries than from all diseases combined. Up to age 44, injury is the leading cause of death.

To the staggering — scores of billions of dollars — monetary costs of assaultive violence must be added the costs of psychological and social dysfunction. These include fear, anxiety, isolation, restricted mobility and activity, and, especially among the young, fatalistic despair — the feeling that prudent behavior is unavailing because the odds of one's situation are against longevity.

Clearly the criminal justice system is inadequate to the task of turning the tide of violence. So as a sound investment in improving the quality of American life, no federal funds are spent better than those that fund the research at the Centers for Disease Control.

Washington Post Writers Group

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1892: Chaos at a Corrida

ARPEGA, Mexico — A terrible scene has occurred at a bull fight. A bull, maddened by its wounds, mowed a number of other bulls and they rushed blindly at the barricade going and trampling upon the terrified spectators. The latter rushed to one side of the arena to escape and the seats, which were somewhat slightly constructed, collapsed. No fewer than fifty were injured in the fall and the bulls killed one person and inflicted wounds on ten others.

1942: Toulon Suicide

LONDON — [From our New York edition:] Vichy announced the suicide of the French fleet of 60 or more warships at Toulon today (Nov. 27), and reported many French officers and sailors went down with their ships in wild dawn battles with German boarding parties attempting to prevent the scuttling of the powerful armada. The Germans did not concede destruction of the fleet, which would amount to a colossal naval victory for the Allies. Berlin radio said forces overrunning the last bit of France not already occupied by the Germans, rushed aboard some vessels in time to remove the charges which would have sunk them.

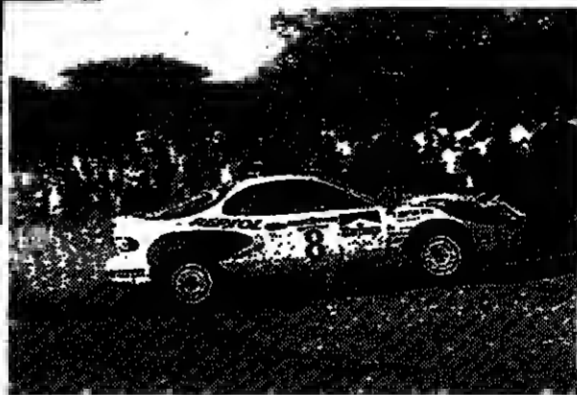
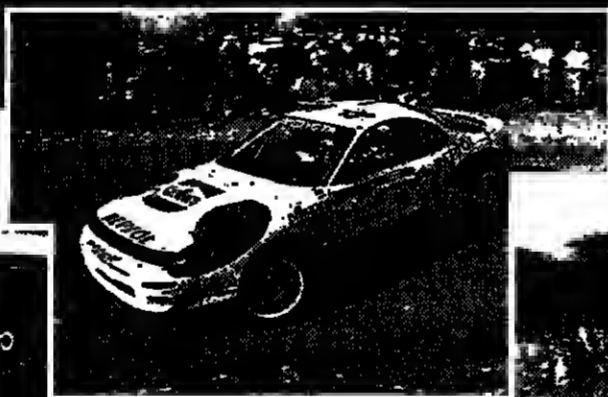
1917: Boys in Trenches

HAVRE — A recent rumor, which appeared so incredible, has received complete confirmation. After compelling Belgian women to slave for them, the Germans are now forcibly employing boys of thirteen and twelve years to drudge for them in the trenches of Flanders under the heaviest bombardment. The youths are only relieved for a few hours on Sundays.

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WORLD'S NUMBER ONE FOR THE SECOND TIME



CARLOS SAINZ & TOYOTA CELICA DO IT AGAIN.



For the second time in three years, Carlos Sainz has won the World Rally Championship for Drivers in a Toyota Celica Turbo 4WD.

"In rallies, winning is never an individual achievement," says the new World Champion. "It requires the cooperation of driver, co-driver, car and team. The fact that Toyota has realised this is the key to our success."

At home, Carlos also drives a Toyota. He's as satisfied with his car

*The final results will be officially announced by FISA in December.

as millions of others are with their Toyotas. Advanced technology such as multi-valve engines; careful manufacturing and strict quality control ensure maximum customer satisfaction.

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Which is why we race. Because every time we race, you win.

WE RACE. YOU WIN.  TOYOTA

ART

Saturday-Sunday, November 28-29, 1992 Page 8

Art as Investment: Risky Business

PARIS — How sound is art as an investment, particularly Impressionist and 20th-century art, so heavily advertised by auction-house marketing specialists in the late 1980s?

For the first time in years, a sale, held Tuesday night at Drouot-Montaigne, provided a test based on one man's effort on a fairly large scale. The Paris auctioneer, Francis Briest, was dispersing 54 works from the collection of Alain Lesieur...

SOUREN MELIKIAN

loan that was put by trade sources at about 22 million francs (\$4 million). The same sources believe that an extra 8 million francs or so was required to cover tax arrears. In the event, the sale totaled 42 million francs.

What makes it fascinating, accounting for the huge if motley crowd that came to attend the event, is the "collector's" personality. Lesieur, a former seaman and a self-taught man, has been dealing in Art Nouveau and Art Deco for three decades with some sidelines such as animal bronzes by Rembrandt Bugatti, François Pompon and other artists of the early 20th century...

He did not buy badly but unfortunately he overpaid. His most important acquisitions, as assessed by financial value, were made in late 1989 and 1990 and on these, his losses are huge. On March 25, 1990, Lesieur was part of the large crowd attending the Bourdon sale of 20th-century masters, which totaled 586.1 million francs...

Ten days after the Bourdon sale, his appetite whetted, Lesieur went his all-out on a second Dubuffet, "La Calipette," dated Aug. 31, 1961, is done like an out-sized jigsaw puzzle. Some cartoon-like figures are enclosed to panels alternate with jocular inscriptions in block letters...



Detail of Dubuffet's "La Calipette" (1961).

for sale in London on April 4, 1990, "La Calipette" set a world record for Dubuffet at £2.53 million and more than doubled the Sotheby's high estimate, courtesy of Lesieur. Had he had more experience in this new field, the Paris Art Deco dealer might have been aware that in 1987 that same Dubuffet was on offer in Switzerland at \$1.1 million...

TWO more examples confirmed that the most sought-after contemporary artists of the Paris school, bought at top dollar between the fall of 1989 and the spring of 1990, can now be worth as little as one third to one quarter of what they fetched at the height of the market. According to trade sources, Lesieur paid 11 million francs at about that time to get the fine still life with a blue bottle by Nicolas de Staël...

Worse was to come, proportionately, with Jean Fautrier's "Visage," a small profile in oil done in 1956. On Nov. 30, 1989, it cost Lesieur £286,000 at Sotheby's in London. At Drouot-Montaigne, this week's price was 700,000 francs plus a 3 percent charge. The Paris price is consistent with the £72,000 (plus 10 percent) at which a related portrait was knocked down at Sotheby's in June 1992...

Lesieur went up to 4.4 million francs (sales charge included) to get a Degas study of a dancer bending forward, seen from the back. It is briskly done in grey and white brush strokes on pink paper, but it is not great. Briest knocked it down with difficulty at 1.5 million francs.

Ironically, the latest buy included in Tuesday's sale was the one that brought a high profit in proportion to its purchase price. Bought in a small Toulouse auction on June 22 this year, for 228,500 francs (including the sales charge), the small sketch in oils was done by the young Toulouse-Lautrec while still at the lycée. On Tuesday it rose to 380,000 francs, plus the 3 percent sales charge. No art collector would really be keen to get it...

Yet, the sale was well handled thanks to the role played behind the scenes by the international broker Marc Blondeau. For many years, Blondeau was the lynchpin of Sotheby's operation in Impressionist and Modern Masters in the United States before becoming head of Sotheby's Europe and eventually setting up on his own. Blondeau said in an interview that he was determined that the auction should go as well as possible for the sake of the Paris art market...

THE Paris factor also helped. There is a vast public of private buyers here, rarely seen in London. A collector who had never yet been seen to be bidding at auction bought the large de Staël still life and Fautrier's "Visage."

As in any such sale where there are no reserves (or minimum prices below which the work is not allowed to go) on individual lots, there were one or two excellent buys to be made. The prize goes to the Swiss dealer Daniel Varone, who bought two small de Staëls of 1952, both on the fine edge separating figurative evocations from total abstraction...

Tuesday's sale probably signals the end of investment ventures by nonspecialists for quite some time. But it also proved that the market is picking up on a realistic price level. Private buyers have taken over and nothing could be healthier.



Schlemmer's "Bauhaus Staircase" (1935) is among the MOMA works now in Bonn.

A Bit of MOMA in Bonn, With Breathing Space

By Michael Lawton

BONN — As you walk into the main gallery of the Federal Art and Exhibition Hall in Bonn, there are more than 30 uninterrupted meters (about 100 feet) between you and Fernand Léger's majestic "Three Women" of 1921...

On the left wall, Max Beckmann's disturbing triptych "The Departure" (1932-33) is given the respect it deserves, surrounded by other great paintings of the German Expressionist movement...

These are two of the 70 works from MOMA currently in Bonn. While MOMA hosts a huge Matisse retrospective for which it has had to clear out its permanent collection, these 70 works have been saved the indignity of being stacked in the cellar.

Instead, this sample of the modern classic collection of MOMA from 1897 to 1956 — a smattering of delicacies from the New York banquet — is displayed in the wide open spaces of the new Exhibition Hall, allowing a different perspective on works which we are used to seeing in the much more cosy and cramped surroundings of their New York home...

most works, but the collection's strengths in other modern European classics, from Gauguin, van Gogh and Cézanne to Miró and Bacon, are also well represented.

The exhibition is less confident in its selection of American art, including an early Pollock (the later ones are too fragile to travel), a fairly early Mark Rothko (most of his masterpieces come after the cutoff date), a striking but extremely unusual Barnett Newman ("The Wild" of 1930, nearly three meters high but only 4.1 centimeters wide) and an Edward Hopper ("New York Movie," 1939) which, in this context, doesn't look as if it belongs with the rest of the art of this century.

While the European traditions which are explored in this exhibition have reached their height well before the cutoff date, the American tradition is still flowering, and the cutoff date (the death of Jackson Pollock) seems arbitrary.

Pontus Hulten, artistic director of the Exhibition Hall, who chose the works, describes MOMA as a European museum; and indeed its foundation in 1929 was inspired by the Bauhaus idea of establishing a temple to the modern spirit, not just in art, but in all areas of human creative endeavor.

OSKAR Schlemmer's cool "Bauhaus Staircase" (1935) is a tribute in this selection to that indebtedness. But not only are MOMA's substantial collections in the fields of architecture, design and photography left out, the central role of the Museum of Modern Art in collecting contemporary American works is also ignored.

But there's plenty in Bonn to enjoy: six first-rate Picassos have crossed the Atlantic, including "Ma Jolie" (1911-12), where Cubism moves almost all the way to abstraction, and the disturbing army-camp collage "Harlequin" (1915) with its vicious grin, painted as Picasso's lover lay dying and his friends were going to war. Picasso contributes the

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BALI

landjung Sari. One of Bali's best-kept secrets. Landjung Sari was opened in 1982 and still retains its original ambience as a private retreat. Twenty-six garden buildings.

Venerating Buddha, From Rags to Riches

By Michael Gibson

PARIS — The history of the Japanese kesa, a shawl of complex symbolic significance worn by Buddhist monks, is a dazzling tale of rags to riches. This is apparent in an exhibition of 40 Japanese kesas, mostly 18th and 19th century, which reveals the extreme refinement of the Japanese silk-weaver's craft as well as the rich spiritual significance that the traditional arrangement has brought to the material at hand.

Buddha commanded his disciples to collect rags, wash and dye them, and sew them together to make their clothing. His teachings reached Japan about 1,000 years after his death and there, as veneration for his doctrine and the symbolic import of the kesa grew, so too did the splendor of the material that was offered for this purpose by wealthy patrons.

Ultimately, ample swathes of magnificent silks and lampas, more often than not enhanced with thread of gold, came to replace the modest rags of earlier times.

cloth or clothing that was given to them whole (the sumptuous Chinese kimono of a deceased aristocrat, for instance), had to be cut up and sewn together again in patchwork form. Yet this elaboration, instead of spoiling some perfectly good material, actually enhances its aesthetic quality and enriches it with a spiritual lesson.

The Chinese love of symmetry is attested by a couple of sumptuous Chinese kesas. The Japanese, by contrast, have always had a marked preference for the asymmetrical and relish this religious obligation that leads to the breaking up of the weaver's symmetrical patterns. The result seems all the more attractive to us since it is, in many ways, akin to the modern spirit that, starting with the Baroque, favors imbalance over balance and the dynamic over the static.

But the exhibition, entitled "Manteau de Nuages" ("Cloak of Clouds") is not only a feast for the eyes and the soul, it also reveals the spectacular appeal of an often modest art or craft that, though dating back to prehistoric times, is all too easily taken for granted or ignored.

Precious textiles have always been appreciated by the general public. They are intensely sensuous and decorative and, like beautiful

women in certain societies, they are often all at once admired and underestimated. As a result (and in either case), it is a whole facet of culture, with its rich and intricate implications, that suffers from neglect.

This is a situation that Krishna Riboud, founder, in 1981, of the Paris-based Association for the Study and Documentation of Asian Textile and owner of the kesa of this exhibition, is determined to correct.

"It is high time," she says, "that textiles cease being considered as merely decorative materials, and be examined not only from an iconographic point of view, but also from that of their extremely complex techniques, their symbolic and ritual significance and their historical and sociological import."

The center she founded has won widespread recognition and coordinates studies on Asian textiles with museums and universities around the world.

It also has at its disposal 3,000 specimens of Asian textiles assembled by Krishna Riboud, and has already published a number of technical studies.

"Manteau de Nuages: Kesa Japonais," at the Musée Guimet to Feb. 15.

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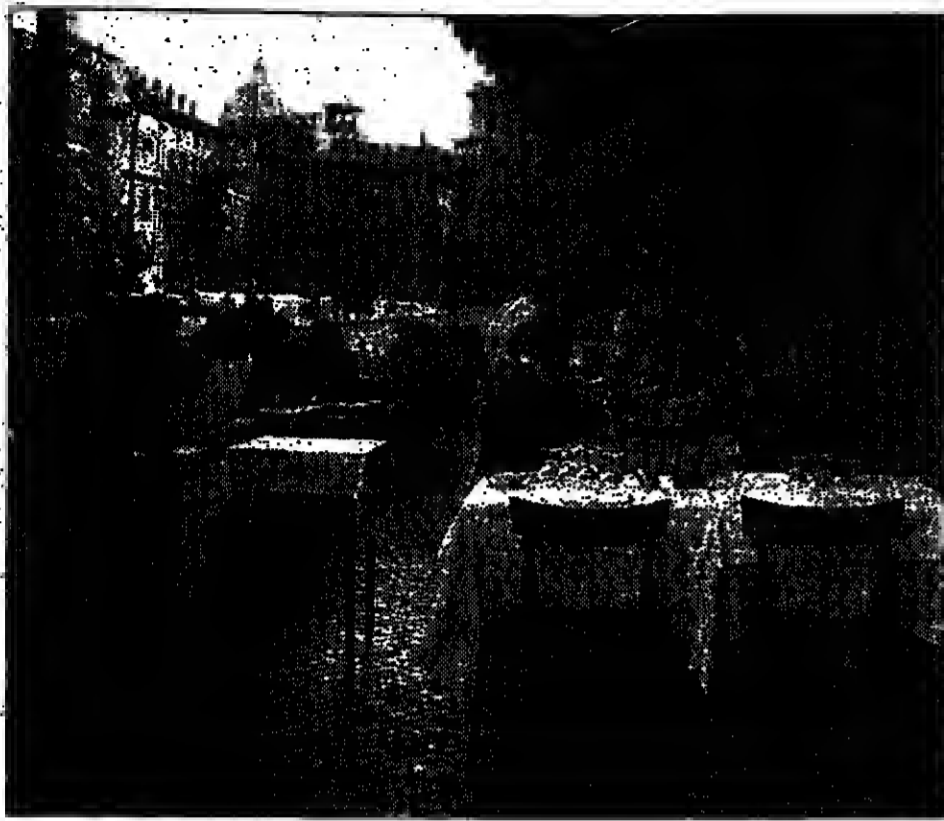
Booty at the Hermitage. T. PETERSBURG — The night before a Red Army officer, Viktor Balin, ordered his troops back to Russia at the end of World War II, he crammed a suitcase with sketches found in the basement of a German major 50 miles (80 kilometers) northwest of Berlin. After nearly 50 years in storage, the contents of that suitcase are now on display at the Hermitage Museum here. The drawings are by Rembrandt, Van Dyke, Dürer, Toulouse-Lautrec, Degas, Rodin, van Gogh and many other German, Italian, Dutch and French artists spanning four centuries. This is the first time the Hermitage has shown war trophies that until recently it denied having in its vast basement. The exhibition runs until mid-January. ANTIQUES. OCT. NOV. DEC. EXHIBITION/SALE JAPANESE SWORDS & SWORD FITTINGS FLYING CRANES ANTIQUES, LTD.

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ITALY

AN ECONOMIC WATERSHED

Amato's Reform Program Faces the Acid Test



After decades of la dolce vita, who will pick up the check?

Italy has been going through trying times. Its new prime minister has been forced to introduce strict new measures to control the economy while attempting to avoid public-opinion backlash. This tightrope walk calls for deft footwork and a very finely tuned sense of equilibrium.

The vastness of Italy's government deficit finally forced the devaluation of the lira and the temporary suspension of Italy from the European Community's exchange-rate mechanism on Sept. 17. Political

corruption investigations have revealed widespread kickback operations. Interest rates have risen as high as 20 percent, and the country's infrastructure is tottering. What has forced Italy to

face its problems — and may even succeed in resolving some of them — is the country's prime minister since last July, a soft-spoken ex-professor of law named Giuliano Amato. The Italian elections last spring confirmed the decline of the Christian Democrats and the Socialists, Italy's two biggest parties, while confirming the vote-getting ability of the northern Lega Lombarda and other "separatist" splinter groups.

Mr. Amato, a Socialist, became the compromise prime minister of a four-party coalition, with a razor-thin 16-vote majority. He had to act immediately, in the wake of the Maastricht meeting of the EC countries, to bring Italy into line with the financial stipulations of the proposed treaty. Italy's budget deficit is nearly three times the EC average required to join the monetary union. Its consumer price increases over the past five, 10 and 20 years are the highest, not only in the EC, but also in the OECD. The retirement age had been, until recent reforms, the lowest in industrialized Europe: 60 for men and 55 for women.

Carlo Scarpa, a professor of economics at the Bologna Center of Johns Hopkins University, says:

"After the elections, the parties knew they were running out of time. Maastricht was hanging over our heads, people were more impatient and there was awareness that things couldn't go on as they had before."

Impatience was fueled by a slowdown in Italy's powerhouse economy. Over the last two decades,

EC support: a loan of 17 trillion lire

Italy has had the second-greatest long-term real growth of the Group of Seven countries, topped only by Japan, according to the Council on Competitiveness. The slowdown that hit other countries hard in the early 1990s is only now slamming on the brakes in Italy. Next year, according to the OECD, the Italian economy will grow by only 1 percent. Paolo Garonna, director of ISTAT, the Italian Institute of Statistics, says that Italy is suffering more by facing this situation belatedly. "We have a high level of real interest rates and high inflation, we are out of the ERM and there has been recent financial turmoil; a change in expectations is always destabilizing," he says.

In the first months of its tenuous hold on power,

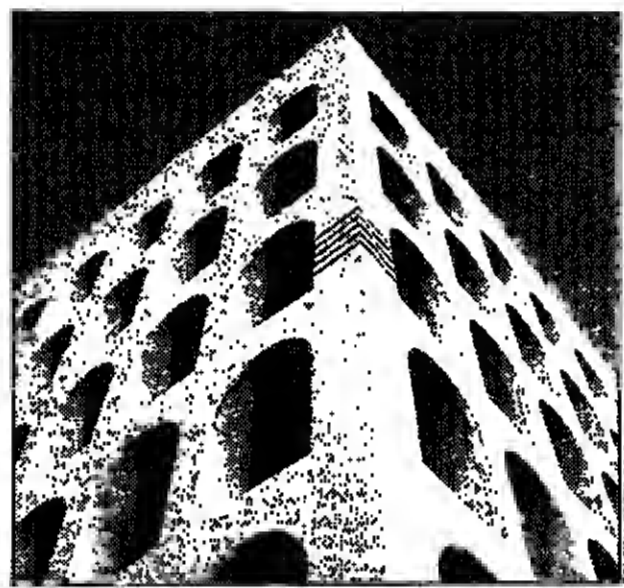
the Amato government did what no previous coalition had been able to do: eliminate the *scala mobile* (an inflationary system of automatic wage increases), freeze wage bargaining until the beginning of 1994, exert some control on wages in the public sector and introduce the notion of privatization of state-owned companies.

Earlier this month, it unveiled a sweeping privatization plan designed to earn the state some 27 trillion lire (\$19.7 billion) over the next three years. Targeted were the state insurance company INA, the electric company ENEL, the energy group ENI and the state industrial holding company IRI.

Before December, the Italian Parliament must approve a budget that will satisfy both the EC and constituents at home. Given the bitter medicine Italians will have to swallow, the task is not an easy one. A flurry of 800 amendments threatened the efficacy of the framework package, which was introduced on Sept. 30. It would save \$70 billion next year through reforms in the areas of pensions, health care, the civil service and tax policy.

Pensions and health-

Continued on Page 11



Business Metamorphosis: Privatization Plan Unveiled

During negotiations for the Italian privatization program announced on November 14, Prime Minister Giuliano Amato is said to have scolded his deadlocked colleagues: "Look here, we are not presiding over the fall of the Roman Empire!" But for Italy's public-sector companies, the change may sometimes seem that profound.

Public-sector companies in Italy have long represented a larger share of the economy than in other European countries. The state controls two-thirds of the banking system, three-fourths of the trans-

Increased efficiency is a major goal

portation and communications sectors and practically the entire energy field. During the 1980s, the relative size of public enterprises dropped less in Italy than elsewhere, according to figures from the Organization for Economic Cooperation and Development, and remains the biggest in Europe. Between 1985 and 1990, government aid to public-sector enterprises averaged close to 2.2 percent, among the highest rates in the European Community.

IRI (Istituto per la Ricostruzione Industriale), the largest of these entities, posted losses of almost \$300 million last year on sales of \$73 billion, and has a total

debt of \$66 million. ENI (Ente Nazionale Idrocarburi) is profitable, but the energy industry will require massive investments in coming years to stay competitive, and the government cannot give it the support it needs.

The privatization program proposed by Prime Minister Giuliano Amato earlier this month calls for the sale of 27 trillion lire (\$19.7 billion) in shares of three companies over the next three years, with proceeds going to the Treasury. Several of ENI's companies will be sold, as will "significant" stakes in ENEL (Ente Nazionale Elettricità) and a majority of shares in INA (Istituto Nazionale dell'Assicurazione). IRI will also sell off a number of its subsidiary companies, but proceeds will be used by IRI to pay back its own debt.

The immediate objectives, some observers claim, are to eliminate Italy's enormous public deficit by 1996 and merit favorable loan conditions from the EC. But, according to Rolando Polli, managing director of McKinsey (Italy),

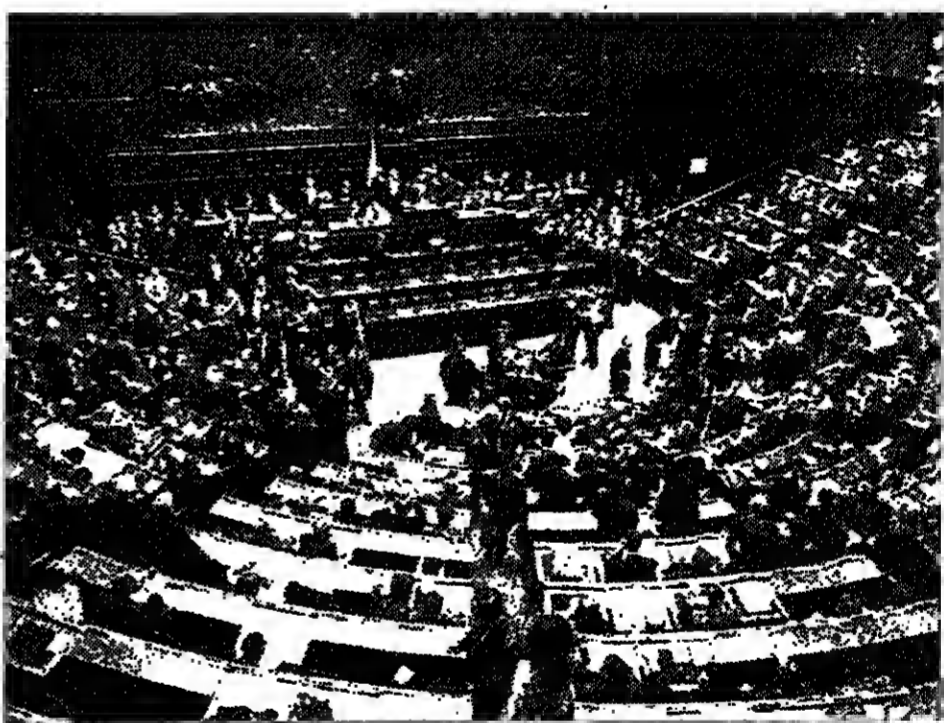
"The major point of privatization is not reducing the deficit." Over the long term, privatization is also a way to make Italy's business sector run more efficiently by breaking the stranglehold of political influence on the running of those businesses. Eraldo Gianluigi Milla, president of a Milan brokerage firm and member of the board of directors of the Milan stock exchange: "Privatization represents a historical change for Italy. Finally, [state-owned companies] are required to compete in the open marketplace. They can't sell below cost or operate inefficiently as they once could."

A less-euphoric economic historian wonders, "Some of these companies have been strong because of government assistance.

What kind of constraints and regulatory environment will they operate in when the government has little or no interest?" McKinsey's Mr. Polli has more immediate concerns: "We Italians have a habit of saying we will do things, and then not doing them. EFIM [another state-owned company] has been in liquidation since the summer, and still nothing has happened."

The government withdrawal will not happen overnight, given the weakness of the Milan stock exchange. Until recent speculation about the privatization program gave it a boost, the Milan exchange was limping along at about 20 percent of 1986 levels in abso-

Continued on Page 12



Parliament must approve a budget acceptable to both the Italians and the EC.

This advertising section was produced in its entirety by the supplements division of the International Herald Tribune's advertising department. • Claudia Flisi is a business writer based in Milan and Monte Carlo. • David Lane is a free-lance business journalist based in Rome. • Christina A. Lynch, based in Florence, is a free-lance journalist and author.

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Bank Sector Gets Leaner, Meaner and Increasingly Competitive

With Roberto Mazzotta's reappointment as Cariplo's chairman at the end of October, the odds shortened on the consummation of the Milan-based savings bank's long-running pursuit of the large, Treasury-controlled Istituto Mobiliare Italiano.

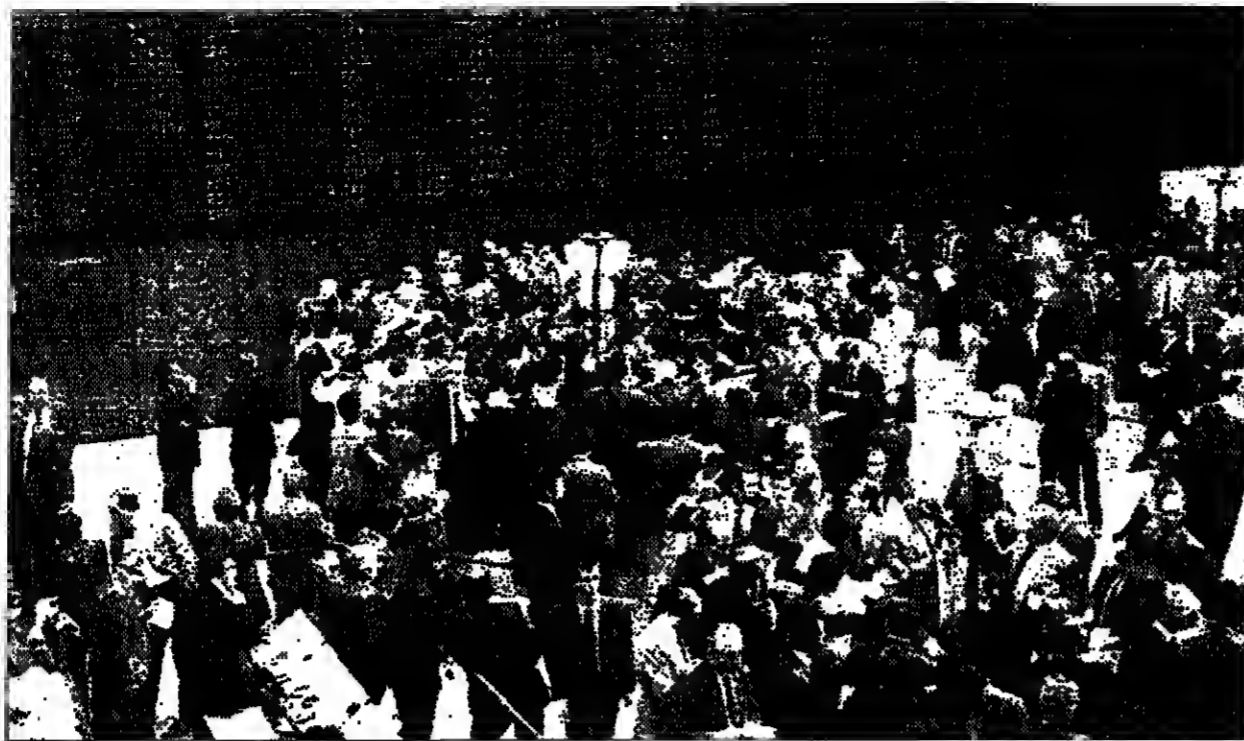
Mr. Mazzotta has been the driving force behind giving Cariplo the significant new dimension offered by control of IMI, a Rome-based financial conglomerate whose interests include merchant and investment banking, private banking, securities intermediation, insurance and Italy's largest mutual funds operation.

Such diversification from short-term retail banking has precedents. The Milan-based investment bank Mediobanca was established in 1946

State bank shares have already risen in value

by the three national interest banks Banca Commerciale Italiana, Banco di Roma and Credito Italiano. More recently, the Istituto Bancario San Paolo di Torino acquired control of Rome-based Crediop from the Treasury's Cassa di Risparmio di Roma.

Says Crediop's managing director, Mario Mauro, "The corporate sector, particularly small and medium-sized enterprises, is our target. We want to give a clear message that we are a business bank." The bank revised its articles of association and changed its name in May to reflect this emphasis. "San Paolo's branch network provides the channel for making Crediop's services available quickly to business," Mr. Mauro adds, noting that this is the strategic aspect of the operation.



Announcement of the privatization plan boosted the Milan index by 19 points.

One of the major banking events in the beginning of the year was the quotation of San Paolo's shares on the Milan stock exchange in March. Its public offer of 20 percent of share capital, Italy's first significant banking partial privatization, was heavily oversubscribed. Led by Chairman Gianni Zandano, the roadshow preceding the share quotation underlined San Paolo's ambition to maintain its front-runner status.

Among the challengers is Banca di Roma, the bank formed on Aug. 1 from the three-way merger of Cassa di Risparmio di Roma, Banco di Santo Spirito and Banco di Roma. This had been the biggest operation undertaken since the Amato law, aimed at restructuring Italian banking, was approved in July 1990.

Notwithstanding legislative encouragement, large-scale concentration and privatization has yet to arrive. But now it may be close. The announcement in September that Credito Italiano, the Milan-based bank in which the IRI state holding corporation has a 65 percent controlling interest, will be privatized has been followed by an even greater surprise.

The privatization package prepared by Treasury Minister Piero Barucci and unveiled in mid-November proposes that IRI should withdraw completely from the banking sector. This means the disposal of IRI's minority stake in Banca di Roma, and that Credito Italiano's Milanese sister, Banca Commerciale

Italiana (in which IRI has a 55 percent shareholding), is also for sale. As recently as last year, IRI's chairman, Franco Nobili, was vigorously denying any need or intention to sell its two large Milanese banks.

BCI and Credito Italiano were ranked fifth and seventh respectively by assets at the end of last year, and seventh and 10th by tier-one capital. They held fourth and fifth rankings in terms of pretax profits. With Banca di Roma, Banco di Napoli, BNL, Cariplo, Monte dei Paschi di Siena and San Paolo, they form the premier league of Italian banking.

All have been active in developing their domestic branch networks. Indeed, emphasis on expansion at home continues to be a feature of Italian banking, though there has been a slowdown. Figures from the Bank of Italy reveal that 1,365 new branches were approved last year, compared with 2,081 in 1990. The authorities say that they received 1,946 applications for new branches, against 3,122 in 1990. At the end of last year, there were 19,080 bank branches in Italy, compared with 17,721 at the end of 1990.

Some banks have been able to expand their domestic branch networks while reducing their payrolls. BCI, BNL and Credito Italiano opened an average of 60 new branches each in 1991, but reduced their staff by an average of 100. The central bank would like to see this kind of achievement repeated throughout the banking system. Said central bank Governor Carlo Azeg-

lio Ciampi earlier this year: "In a decade of abundant profits, credit institutions have not felt much need to economize on the labor factor. Yet it is increasingly an element of rigidity in terms of numbers, unit costs and constraints on use."

Mr. Ciampi also drew attention to the way that Italian banks have strengthened their capital bases. In ratio to total customer deposits, this tripled between 1979 and 1991. "The capitalization of Italian banks is now high, both in comparison with credit systems in other leading countries and with respect to the internationally agreed solvency ratio," he noted. Aggregate figures from the Bank of Italy show that the banking system's net profits slipped by nearly 4 percent last year. Given inflation of over 6 percent, there was a real fall of more than 10 percent. Moreover, it seems unlikely that improvements will be recorded when books are closed at the end of this year, and nobody expects that 1993 will be better.

Mr. Ciampi warned Italy's banks that they face intensifying competition in domestic and international markets. They need to tackle rigidities in their operational procedures, employ production factors more efficiently and adapt balance-sheet strategies and interest-rate policies in order to be successful in the marketplace. But the authorities are confident that this can be done. "The Italian credit system has demonstrated its ability to cope with difficult market conditions," stated Mr. Ciampi.

Taking Care of Business At Home and Abroad

Italy's economic slowdown has focused attention on business and industry. The big multinationals are showing mixed results, and many smaller companies, finding themselves financially squeezed, are looking to exports to increase profits.

Benetton is well on its way to achieving its announced goal of doubling sales between 1990 and 1995, and Ferruzzi plans to double sales in the agrofood area to 20 trillion lire (\$14.6 billion) by the year 2000. Yet other international giants like Fiat and Olivetti are feeling the pinch of Italy's current economic climate; both have recently announced restructuring programs to reduce overhead.

Many clients of accounting firm Arthur Andersen are "more worried about the recession than anything else," according to firm partner Marzio Saa. He estimates that perhaps 90 percent of them are doing worse this year than last.

Confindustria, the Italian Association of Industrialists, is also concerned about Italian business. The association's president, Luigi Abete, has been pressing for a new industrial policy that will go hand in hand with an improvement in Italy's economic system. His organization's proposals in many ways echo those of the government: cut inflation, lower the interest rate, reform the

Lower-cost money should help small companies

social-security and health-care systems and reform the public administration. In addition, Confindustria has sought a greater commitment to privatization by the government, a slowdown in wage increases in state-owned companies and greater flexibility for its members in the hiring and firing of employees.

Taxes have multiplied in recent months, with two controversial levies earmarked for business and industry. One is an extraordinary tax for the next three years on the net assets of all Italian corporations. The government expects to raise 5 trillion lire annually through this vehicle.

The second, so-called minimum tax presumes a floor income for every one of Italy's small businesses and self-employed professionals, or some 3.2 million enterprises, with the burden of proof on the taxpayer if an

exception is claimed. At present, many small businesses declare less income than the salaries paid to their employees. Yet an imposed tax will disproportionately affect these small and medium-sized enterprises.

These companies are often cited as the backbone of the Italian economy, and in fact the average number of employees per manufacturer in Italy is one of the smallest in Europe: nine, as opposed to 28 in Germany, 37 in France and 50 in Britain. At the same time, Italy has fewer instruments to help its small businesses than any other country in Europe, according to a recent study by the Research Institute for Small and Medium-Sized Businesses.

They are reeling not only from recession and taxes, but from interest rates that have reached 20 percent as a result of the recent devaluation of the lira. Large companies are less affected; they have always had access to cheaper funds abroad or at favored-customer rates with Italian banks. The government's efforts to stem the crisis have brought some relief in the last few weeks, and it is hoped that smaller companies will accordingly benefit from lower-cost money.

At the same time, Confindustria is urging its members to think more about export opportunities. More than 50 percent of Italian industry is concentrated in textiles, clothing, leather goods, furniture and machinery, all of which are heavily export-oriented. They are also labor-intensive; the OECD reports that in 1991 Italy was "the only large country whose manufacturing exports moved in the direction of labor-intensive industries." Devaluation did not give exports a significant boost; Italian products compete on the basis of quality, design and innovation, not price alone.

Close to three-fourths of Italian exports go to the rest of Europe, however, where the recession has hit harder than it has at home. In response, export horizons are being broadened to include Eastern Europe, North and South America and Asia.



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Thriving Trade Fairs Plan New Facilities

Trade fairs are important to Italy in two ways: they can be of particular help to small and medium-sized companies, and they can forge better relationships with developing countries whose needs include textiles, clothing and industrial equipment, areas in which Italian fairs are notably strong.

According to the president of the Milan Fair, Cesare Manfredi, trade fairs are "an essential instrument for the development and growth of companies in the context of the new competition in the global market."

Thirty percent of Italy's import-export business, in fact, takes advantage of the country's trade fairs. A study by Milan's Bocconi University found that the immediate increase in sales by those exhibiting at trade fairs in Milan alone in 1989 equaled 8 trillion lire (about \$6.4 million). This sum rose to 37.5 trillion lire over the

medium term, and does not take into account the spin-off value for the city of Milan, calculated at more than 3.6 trillion lire annually.

Last year, the Ente Fiera di Milano, the organization for Milan's trade fairs, reported increased revenues and profits in spite of the dampening effect of the Gulf War. It oversaw 86 fairs, representing 60 percent of all fair activity in Italy, with 31,000 exhibitors and 2.6 million visitors. An additional 1,272 conferences were attended by 142,220 people.

This year, the Milan Fair has 90 shows on its calendar, more than half of which are international. This translates into an average of seven fairs per month, each one lasting several days. The net effect is to stretch current capacity to its limits. At present, the fair has a total area of 380,000 square meters, of which 175,000 are exhibition space spread over 33 pavilions. For conventions, there are 27 meeting rooms, all with simultaneous-translation facilities and audiovisual equipment. This space is no longer sufficient for the logistical demands of modern-day fairs.

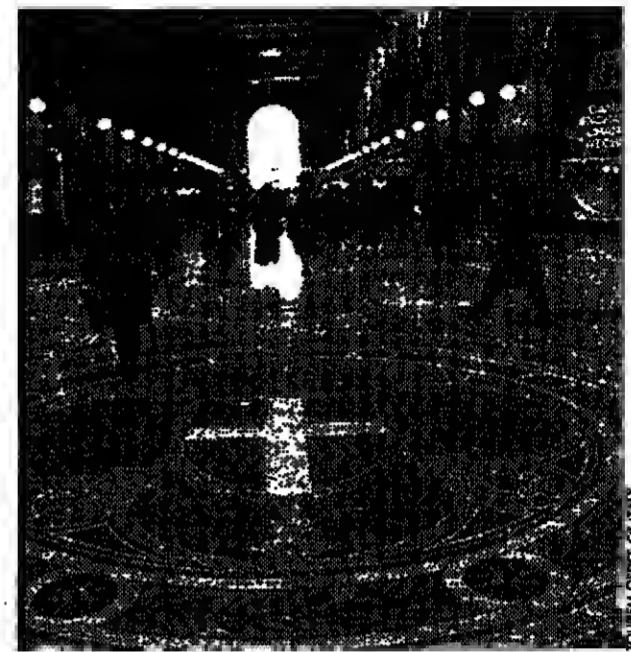
Competition among fair locations is as fierce as that of the exhibitors they service. While Milan is one of the oldest and most important fair sites in Europe, it faces rivals in France and Germany with fairgrounds that are newer, larger and better-equipped. To meet and surpass



Cesare Manfredi, president of Ente Fiera di Milano.



Left, the Bologna Children's Book Fair attracts the top juvenile publishers worldwide. Below, Milan's Galleria Vittoria Emanuele.



its competition, this year the fair signed an agreement with the city of Milan to begin a project at an abandoned factory adjoining the existing site. This long-discussed project, called Portello Sud, will include two pavilions covering 66,000 square meters of surface area, 82,000 square meters of parking and a green space of 13,400 square meters. Its new pavilions, combined with those of the existing fairgrounds, will enable Milan to host two major international shows in 1995, the European Machine Organization and the Industrial Textile Machine Association, that would otherwise have gone to another site in Europe.

The longer-range plans for the fair call for the construction of a new site outside the city center to host large-scale fairs. The existing Southern Pavilion is 15 miles (25 kilometers) south of the city in Lacchiarella. It has 75,000 square meters of up-to-date exhibition space

Bologna now offers its own heliport and will soon have a new multiuse pavilion

and will host 13 of Milan's exhibitions for 1992, but is not adequate for long-term needs. Once the city of Milan has decided upon and constructed this new complex, the current fairgrounds, with their obsolete structures, will be given back to the city.

For the smaller Ente Fiera di Bologna (Europe's fifth-ranking fair site), the price of success is also a problem with space. In spite of its 125,000 square meters of exhibition space, the fairgrounds is running out of room. Bologna has taken the lead in forging a pole concept with the neighboring cities of Ferrara and Modena to offer greater flexibility and more space for fair planners. Of the 38 fairs scheduled next year, 21 will be in Bologna, nine in Ferrara and eight in Modena.

In 1991, construction began in Bologna on a new multiuse pavilion of 15,000 square meters designed for large conventions. This year saw initial work on a new entrance for the fairgrounds, directly connected both to the new pavilion and to a parking lot for 4,000 cars. The latter adjoins a new exit from the highway that was built specifically for the fair. A heliport was also built this year.

Acid Test: Amato's Reform Program

Continued from Page 9

Care entitlements are much more of a sacred cow in Italy than they are, for example, in the United States. They reflect beliefs about social responsibility that are deep-rooted in the Italian psyche. An international Gallup poll a few years ago found that 81 percent of Italians agreed that "it is government's responsibility to reduce income differences," while only 28 percent of Americans did so.

Not surprisingly, Mr. Amato's proposal to freeze pensions in 1993 was shot down. As the budget stands now, they will go up with inflation, costing \$2.8 billion next year. Still, retirement based on seniority has been blocked for 1993, and the regular retirement age will be raised to conform with EC norms: 65 for men and 60 for wom-

en. Health-care reform remains mired in controversy. Initially, any family or individual earning more than 40 million lire would no longer receive free health care, except for hospitalization. But this proposal is being fought bitterly and may not survive.

Fiscal measures include a spate of new taxes on individuals, homes, businesses, luxury cars and yachts, among other targets. Regional tax payments are no longer deductible from federal taxes. Aid to developing countries has been reduced by 1.5 trillion lire, environmental spending lowered by 300 billion lire. The income tax bureau itself has been singled out for reform: by requiring the loser of a tax case to pay court costs, the government hopes to dissuade tax bureaucrats from dragging cases on for years.

The European Commu-

nity has been favorably impressed by the government's actions to date, and has loaned it 17 trillion lire with favorable repayment conditions as a sign of confidence. The move by the EC helped compensate for the August decision by bond-rater Moody's to lower its rating on Italian bonds by two points. Italy is now the only member of the Group of Seven not to have an AAA rating. Still, ISTAT's Mr. Garonna thinks that Italy "could be back in the ERM very soon if the markets are convinced of the credibility of our program."

In the long term, the prospects are less clear. Mr. Amato's political longevity is by no means assured, and he is still part of the Old System, not a harbinger of fundamental change. Change means taking state-owned companies and state-controlled jobs away from the



Prime Minister Amato: Praying for success.

ruling political parties, thus depriving them of their power and wealth. Only electoral reforms can achieve this, and only a few politicians, like Mario Segni and Leoluca Orlando, are crusading for them. A key to the level of voter unrest may be the results of upcoming local elections in the northern cities of Varese and Monza.

Claudia Fiesi

Strategic thinking for telecommunications

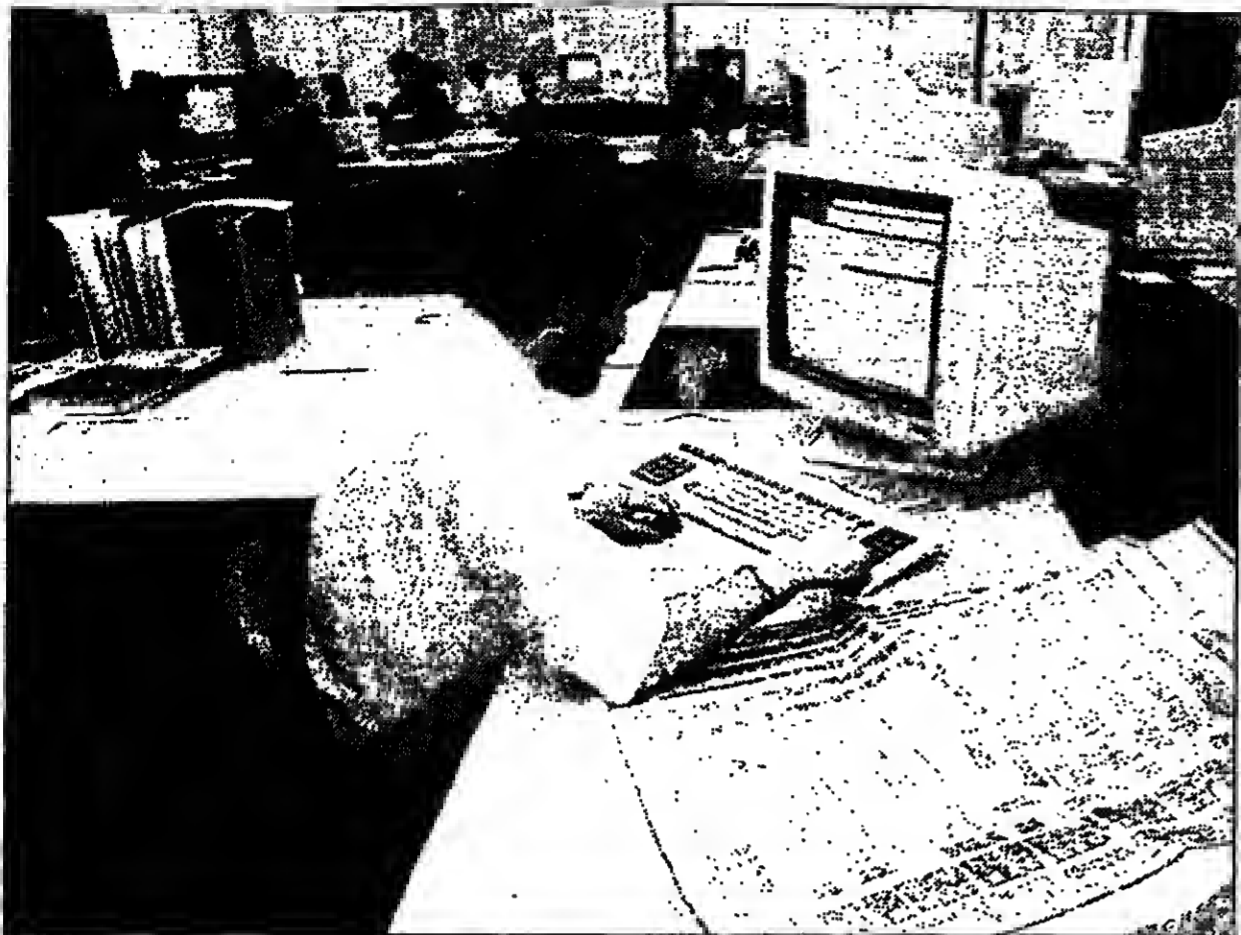
A telecommunications system is very complex. Installations, equipment, networks, technology, research, investments and people, too. But, first and foremost, a strategy that ties it all together to meet individual needs. STET, the mind behind Italian telecommunications, has led the way across European and international frontiers. Competitive in all sectors, from services to industry, from engineering to research.



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Italtel, in partnership with AT&T, is developing an intelligent network infrastructure.

Business Metamorphosis: Into the Private

Continued from Page 9
 lute terms. It had fallen 30 percent in the first six months of 1992 alone. Part of the problem has been the well-publicized deficit and the inclination of investors to put their money into high-yielding government bonds to finance that deficit, rather than into more productive vehicles. Private companies, even profitable ones like ENI, are hardly a match for the double-digit yields of these bonds.

companies are to compete successfully, they must be "efficient, cleaned up, well-focused, comparable in size to the competition, and managed by executives who are fully accountable for their decisions."

Some of the companies to be put on the block will have no trouble finding buyers immediately. The three banks held by IRI — Credito Italiano, Banca Commerciale Italiana and Banca di Roma — are attractive to foreign as well as domestic investors. Interest in SME, the IRI

company with interests in food and highway restaurants, is so high that trading had to be suspended last week. In contrast, ail-

Plan will help reduce deficit

ing companies in cyclical industries, such as steelmaker ILVA, the shipping company Finmare and the ship makers Fincantieri, will not be sold until their balance sheets improve.

Last week, the International Monetary Fund gave its blessing to the

prime minister's proposals, observing that it had been waiting for some time "for a clear sign of the government's intention to make a break with its past policies of interfering in areas where the private sector can operate more efficiently." Success, according to the IMF, will depend on speed of action and lack of political interference. Now it is up to the Italian Parliament to confer approval on what Mr. Amato himself calls "the framework for the future of Italian industry."

C.F.

Next, Liberalizing Telecommunications

In 1987, the European Community issued its famous green paper calling for an end to restrictive monopolies and for the liberalization of the telecommunications equipment market. Today, as privatization begins to take hold in Italy, the process of liberalization is starting to make an impact.

The impact of liberalization on Italian telecommunications would be sizable on all fronts: financial, commercial and political. Because the extent to which it may be privatized is still unknown, Stet, Italy's telecommunications monopoly — which includes the operating company SIP, the manufacturing arm of Italtel, and Italcable — has set as the pillars of its strategy for the next four years an emphasis on services to business, the continued modernization and rationalization of existing networks to reduce operational costs, optimization of corporate resources on the manufacturing side and expansion of the group's role abroad.

This expansion is in keeping with the quest for international alliances by many in the telecommunications

international rates remain two to three times higher. SIP is coming under increasing pressure from its international counterparts, including those in the United States, and from the OECD to make its rates more closely reflect actual costs.

Italtel, the manufacturing arm of Stet, is under a different sort of pressure. "This decade," claims Italtel's chief executive officer, Salvatore Randi, "will be a period of revolution, comparable to the 1980s, when electronics were replacing electromechanical technologies." As the world's 11th-ranked telecommunications equipment company, Italtel has been aggressive about seeking both international business and cross-border alliances. It is active in Russia with Telezaria, a joint venture created with Krasnaja Zvezda in 1990. This month in Moscow, the company announced bookings for roughly 500,000 lines of Lines UT telephone digital switching exchanges, Italtel's core product.

In China, the company is present with Chongqing Italtel Communication Equipment, a joint venture for the production and marketing of transmission terminals for a new fiber-optic network.

Other important elements of Italtel's international strategy are the acquisition of highly specialized companies in key areas of telecommunications.

Bolstering Italtel's international presence is its 1989 agreement with AT&T for reciprocal expansion in all markets. Italtel and AT&T are at work on an intelligent network infrastructure that will be among the most advanced in the world. They have created Ole 2000, an innovative access system for the gathering of voice and data users, and are developing large-scale transmission points based on the new technology. The realization of these projects, along with the diffusion of high-speed commutation technology, will make possible a pan-European network of wide-band communication.

It is not by chance that Italtel became the first Italian telecommunications company to receive the recognized European certification ISO 9000, attesting to the excellence of its quality-control systems. Nor is it unexpected to find other potential partners for Italtel, including Siemens and Alcatel, showing interest

in the company. Alcatel had bid for Italtel's favors once before, but lost out to AT&T; its consolation was the purchase of Fiat's telecom transmission company Telettra in 1990. Alcatel would presumably relish the opportunity to press its suit again. For the moment, however, Stet is being described as a "natural monopoly" of the state, and Italtel's Mr. Randi denies interest in any other partner but AT&T.

AT&T is also a partner with Italtel for its Global Software Defined Network. This is a virtual network that provides most of the features of a private or dedicated network over public switched network facilities, very attractive to large companies. Private telecom networks in Italy had a value of 2 trillion lire last year, and have been growing at about 10 percent annually.

Because virtual networks can operate only when there is a sufficient digital infrastructure, the first pilot digital network in Italy began operation in June 1992. An ISDN (Integrated Systems Digital Network) is now operating in 11 Italian cities, and the timetable calls for regular service by next year.

France, Germany and Britain are further ahead in digital applications, but all three countries are significantly less restrictive than Italy. A 1991 study by the Yankee Group, a telecommunications consultancy, ranked Italy as the third most tightly regulated country in all of Western Europe and well above the European average.

Reaching agreement on deregulation is fundamental to the development of Italy's telecommunications policy within the EC. British Telecom's profits have increased, as have its services to customers, every year since its privatization in 1984. Germany and Portugal are considering similar moves, as are Sweden, Finland, Hungary and Czechoslovakia. Filippo Maria Pandolfi of the EC Commission has acerbically observed: "The [EC] decision to allow exclusive or limited rights in the field of verbal telephonic services was very wise. As is widely known, there is a certain tendency among governments to consider their telephone networks as extensions of their national sovereignty."

C.F.

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9-10 Esposizione Internazionale Canina di Milano Dogs	5-8 Maced Primavera Household articles, crystalware, ceramics, gift articles, silverware, jewellery, precious and semiprecious stones, watches, household articles of quality, small electric appliances
21-25 Chibicar Gift articles, fancy goods, perfumery items, costume jewellery and smokers' accessories	7-9 Mias Invernale Sports-wear, sport articles and camping equipment Lacchiarella, South Pavilion
21-25 Cart Stationery, paper related products, articles for schools and fine arts	12-16 Modif Milanovendemoda: La moda a Milano Women's wear
23-27 31° Salone Internazionale del Giocattolo Toys	19-22 Miffor Cut-flower and ornamental plant production, horticultural equipment and accessories Lacchiarella, South Pavilion
January Milano Collezioni Uomo Men's wear	24-28 BIT Tourism
	26 February - 1 March Interimmo Estate services for house, work and leisure
	26 February - 1 March Salone del Franchising Franchising and new techniques in the tertiary sector

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مكتبة الشرق

Artisans Perpetuate Italy's Long Tradition Of Crafts

Remaining true to work methods more in step with the 12th century than the 20th, Italy's artisan class, for centuries the backbone of Italian commerce, continues to produce some of the world's finest crafts.

"It takes about 14 days to make this frame," says Fiorenzo Bartolozzi, a Florentine wood carver, showing an intricate copy of a Renaissance model ready to be gilded. Mr. Bartolozzi, a wood carver for 70 years, has crammed thousands of square feet of space in Florence's Oltrarno area with the antique carvings he uses for inspiration and his own creations. He has 20 craftsmen working under



Endangered species? A Florentine craftsman at work in his atelier.

niques may disappear, such as methods of working copper."

A tight real-estate market, new taxes, an ever-more-burdensome bureaucracy and world currency fluctuations are the biggest threats currently facing the artisans.

According to statistics from the Confindustria, the other Italian artisans association, Italy boasts 1.85 million artisans, while experts admit there may be as many as double that number. For statistical and tax purposes, artisans and craftsmen are grouped together with owners of small businesses such as barbers and auto mechanics, making it difficult to determine exactly how many true craftsmen remain. Florence is home to 108,000 artisans, although Mr. Vivarelli says only 6,313 businesses with 20,000 employees are actually practicing crafts, identified under the general categories of glass, ceramics, leather, jewelry, restoration, gilding, carving and lacquering. One-third of these work in the city's historic center, says Mr. Vivarelli.

The Confederazione Nazionale Artigianato is working hard to protect the artisans, who have very different problems from the rest of the Italian work force. The crafts require endless hours to learn and execute, materials are very costly and individual craftsmen often not well organized to sell their wares. Says Mr. Vivarelli: "The local government has

set up training programs and has sponsored large-scale restorations that employ artisans, but we would like to see more direct intervention."

In Florence, most of the historic crafts are still represented and practiced using traditional methods and tools. Wood carvers, framers, bronze and brass workers, silversmiths, straw weavers, papermakers and furniture makers ply their trades in dimly lit ground-floor workshops in ancient palazzos, while potters and glassblowers can be found in the countryside around the city.

"Florence is the last city with a strong artisan class," says Pierluigi Franceschi, a Florentine frame maker. "Italy's industrial revolution didn't come about until 1950, and Florence, thanks to its central location and working-class neighborhoods, was able to maintain its artisans."

Most of Florence's artisans have workshops in the Oltrarno area around the Pitti Palace, a growing commercial zone where large ground-floor spaces are at a premium. Some artisans have already been evicted, and many others, such as those in the Convento di Santo Teresa in the Via Giano della Bella, are in danger of losing their workshops.

"We hope the Chamber of Commerce will intervene to avoid these evictions," says Mr. Vivarelli.

Both Mr. Franceschi and Mr. Bartolozzi note that the export market

has shifted toward Europe instead of the United States. "In the late 1980s, I had many U.S. interior decorators as clients," says Mr. Franceschi.

"They'd buy five or ten pieces at a time and have them shipped. I think it's a question of price—the dollar was at 2,000 lire." Mr. Bartolozzi worked with U.S. retailers such as Bloomingdale's and Marshall Field's, and traveled extensively in the United States to speak with clients.

"We're working much more with Europe now, especially Germany, and with Japan," he notes. A film crew recently completed a segment on Mr. Bartolozzi for Japanese television.

With his wife and daughter, Paolo Pagliani, a silversmith, runs the business his father started. "We mostly do restorations now," explains Stefania Pagliani. "We have some private clients abroad, but we rely on word of mouth and on a steady trade from the families we've been serving for 50 years." Mr. Pagliani also does reproductions of antique silverware to replace missing pieces in a set, and creates small objects as wedding gifts.

Mario Borgheresi has been making star-shaped glass lanterns in the antique style in a small workshop near the Pitti Palace for 40 years.

"Our business is what you see," he says. "We don't have foreign clients except those who stop here as they pass."

Christina A. Lynch

Most historic crafts are still found in Florence

him, and a store in the Via Maggio. His workbench contains no electric tools, just a set of gleaming chisels. Suspended from the ceiling are fragments of 15th-century frames, 14th-century cherubs and bric-a-brac from every century. "I've done frames for great painters like De Chirico," he says. "It's a real honor. But my greatest achievement is the carvings I did for a church in Montecassino that was destroyed in the war. They took me five years to finish."

All is not easy for the artisans, who have a hard time competing with industrial production in the modern economy. "Some specialties are in danger of extinction," says Fabio Vivarelli, national secretary of craftsmen at the Confederazione Nazionale Artigianato, Italy's artisans association. "Not only are some trades themselves in danger, such as mosaic makers, but also some tech-

Business Briefs

● **Alitalia** will close its 1992 books without a loss, an improvement over three years ago, when it was 200 billion lire (\$146 million) in the red. Governor Mario Cuomo of New York recently went to Rome to sign an agreement designating it the "official airline" of New York State. A commercial agreement with KLM has been denied for the moment, but the need for international partnerships remains, inasmuch as 70 percent of the airline's business is generated outside Italy.

● In 1991, the Italian electrical power monopoly ENEL oversaw bidding for more than 8,000 major contracts worth about 3 trillion lire and more than 13,000 contracts for equipment worth more than 5 trillion lire. ENEL's president, Franco Viezoli, has publicly emphasized the importance of "transparency and objectivity" in the awarding of these, including the criterion of trustworthiness as well as technical and financial ability.

● The Ferruzzi Group will not be repeating its \$60-million-plus investment in an America's Cup contender anytime in the near future. Yet the publicity generated by the Moro di Venezia (which came in second) was worth more than its cost, based on the value of media exposure. Even more gratifying was that, according to an academic analysis, the company's stock went up every time the Moro won a race. In addition, the Ferruzzi shipyard created to construct the Moro logged in a year's worth of orders at the time of the Cup race.

● Fiat chairman Giovanni Agnelli does not see a turnaround in the auto industry before 1994, the year he is scheduled to hand over control of Italy's largest private company to his brother Umberto. In the interim, the chairman recently assured Fiat's managers that he is taking all the steps necessary to make sure the company will be ready "to take full advantage of every opportunity the market will offer at that time." One of these steps is a recently announced restructuring, which divides the organization into two sectors: industry and industrial development, and financial control and resource management.

● An Italian student is easily identified by the *zaino*, or book bag, he or she carries. Last year, 3.5 million of them were sold in Italy, a market worth more than \$300 million. Invicta dominates this market with a 40 percent share, and has expanded into gloves and other accessories to underscore its image as a "youthful totem of communication," according to its president, Giovanni Garrino.

● Although only 34 percent of Italians wear corrective lenses, compared with an average of 40 percent for Europe as a whole, the eyewear industry in Italy is big business. Turnover in Italy at retail level was 1.6 trillion lire in 1991, slightly ahead of 1990's 1.5 trillion lire, with exports accounting for 64 percent of the total. In a year described by most industry insiders as very tough, Luxottica, the country's largest eyewear manufacturer, increased sales and net profits by double-digit figures. In the first quarter of this year, net profit grew again to almost 14 percent.

● This September, Montecatini, a company of the Ferruzzi-Montedison Group, and Royal Dutch Shell agreed to merge their respective activities in the area of plastics. The combined forces of the new, as yet unnamed, company will produce 3 million tons of polypropylene and a half million tons of polyethylene annually.

● The success of Olivetti's alliance with Digital Equipment will depend on the acceptance of DEC's ultrastar Alpha chip. Olivetti will begin to sell Alpha-powered workstations in Italy by the second half of next year. By June 1994, if both partners are satisfied, Digital will purchase 4.2 percent of Olivetti's stock.

● Television sponsorships have come under the scrutiny of the Italian Parliament, resulting in a proposal to limit advertising for national networks to no more than 20 percent of daily broadcast time. This works out to a little less than five hours per day, of which no more than one-fourth can be used for direct selling. If passed, the law would affect 400 billion lire worth of sponsorships now on Silvio Berlusconi's Fininvest networks, and a more modest 100 billion lire broadcast on RAI.

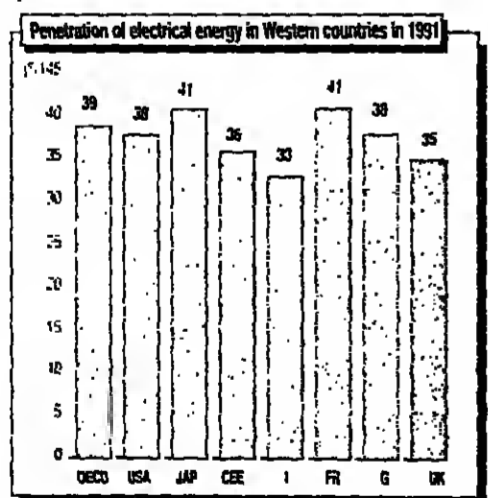
● Pharmaceutical company Ricordi has developed a proprietary technology for drug release called CRSS (controlled-release suspension system), aimed at geriatric and pediatric patients who have trouble swallowing conventional pills. In the first half of 1992, the company's pharmaceutical sales increased 32 percent over the previous year, with international sales accounting for a quarter of the total. C.F.

"The first commitment of ENEL Società per azioni is precisely not to fritter away what has been painstakingly constructed"

ELECTRICAL ENERGY IN ITALY

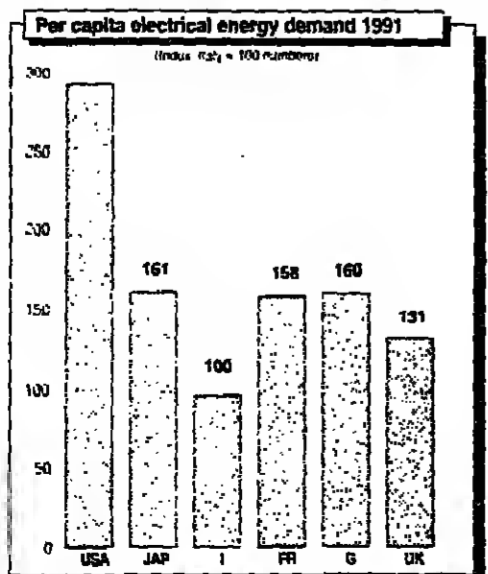
Throughout the world the form of energy for which demand is constantly increasing is electricity. This is obviously due to the special features of the latter: it is easily transportable in real time, totally clean at the utilization stage, and actually indispensable in numerous industrial applications, as well as in sectors such as computer science, telecommunications and automation.

The degree of preference given to electricity versus other forms of energy is called "electric penetration." This quantity is used as an indicator of a country's economic and industrial development. It is constantly on the increase worldwide.



In Italy this coefficient has a value of 33%, which may be considered low compared not only with the more industrialized countries (41% in Japan and in France 39%) but also with the OECD average (39%) and that of the EEC (36%).

Moreover, our per capita electricity consumption is considerably lower than that of the industrial countries—about two-thirds of per capita consumption in



France, Germany, Japan and the UK, and as low as one third of US consumption. It is therefore to be expected (and hoped, as far as this country's economic growth is concerned) that electrical energy consumption will grow more rapidly in Italy than elsewhere.

ENEL SOCIETA PER AZIONI

On 11 July 1992 ENEL was transformed into a public limited company (Società per azioni) by decree-law no. 333/92. The equity of the new company (ENEL Società per azioni) has been allocated to the Ministry of the Treasury in order to be placed on the market.

The main reason for these decisions is of course the need and urgency to contribute to containing the public debt. However, by establishing the new company, the government also aims at satisfying other needs that have grown rapidly in recent years, such as, in particular:

1) the duty of conforming to the conditions stemming from Italy's membership of the European Community, which imposes behaviour in keeping with the rules of the market in all sectors of the economy;

2) the need to make the best use of the country's available capital resources, also by means of widespread participation in productive investments;

3) lastly, the need to boost the stock exchange. With its 30,000 billion lire turnover and 109,000 employees, ENEL Società per azioni is already a large industrial concern which comes into being under the banner of continuity.

This continuity concerns both structure and objectives. The tasks awaiting the Italian electric sector (i.e. develop the electric network, construct new power plants to satisfy future demand, to ensure maximum security of supplies to continue respond adequately to environmental demands) mean that it will be necessary to operate through the organization that ENEL has gradually adapted to cope with developments in the sector and the country's needs, which has led to the present central subdivision into Directions and territorial subdivision into Departments.

The first pledge of ENEL Società per azioni will be precisely not to fritter away what has been painstakingly constructed.

What changes are to be expected in the activities of ENEL Società per azioni compared with the past? Very few, except for the form of the top management of the new company. There will perhaps be some changes in the way the work is carried out, with possibly even more attention being focused on the economic aspects of specific activities in the electricity sector. Maximum quality service will of course always be one of the primary objectives.

ENEL Società per azioni will thus continue to operate with the capacity and devotion that have always characterized ENEL in the belief that the new public limited company will not fail to go on developing existing potential and to encourage the attainment of the highest levels of efficiency throughout the sector in order to achieve ever better results.

PROSPECTS FOR THE YEAR 2000

Most of the electrical energy produced in Italy is generated by burning fossil fuels. Among the latter fuel oil accounts for the lion's share, despite the con-

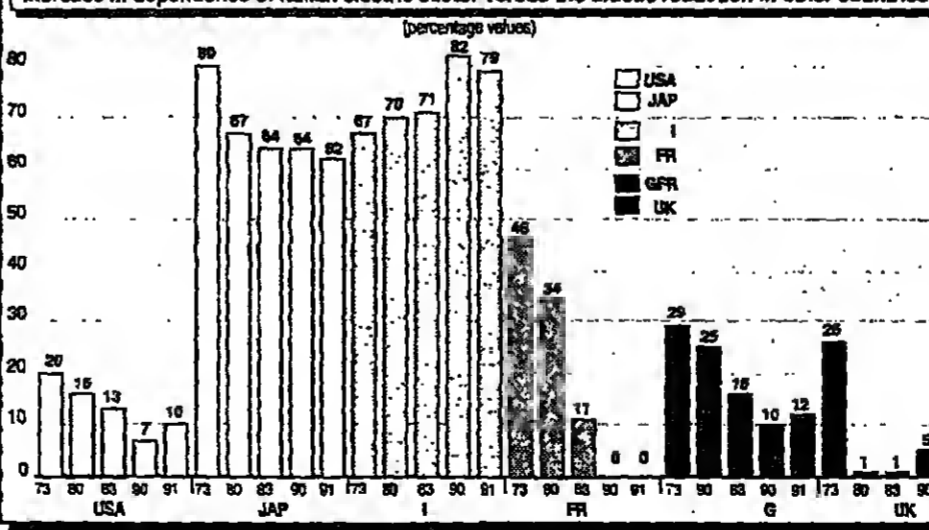
stant increase in the percentage of coal and natural gas, oil still accounts for 60% of the production from fossil fuels.

Despite the intense exploitation programme, the hydroelectric resource, one of the first national resources, has failed to achieve large production increases.

The geothermal source continues to make a constant, although highly limited, contribution. As from 1987, the nuclear source has been totally eliminated as a result of the highly publicized decisions made by Italy in this field, while direct imports of electricity from other countries have increased progressively.

In view of the great scarcity of fossil fuels in Italy, the above brief outline clearly shows how the Italian electric system is very strongly dependent on foreign fuel supplies. This makes the country extremely vulnerable, particularly in view of the fact that all the larger countries have successfully implemented a policy of near-total independence.

Increase in dependence of Italian electric sector versus the drastic reduction in other countries



However, it must be acknowledged that after Italy's abandonment of the nuclear source (which makes a considerable contribution to the electric sector in all the other industrialized countries) no valid alternatives are available to reduce this dependence. Practically the entire hydroelectric potential has been exploited and while the development of renewable sources and energy saving may produce results in the medium-long term, they will not be enough to change the situation substantially.

As there is little hope of finding a way of substantially reducing Italy's dependence on imports, the main aim of ENEL Società per azioni should be to reduce the vulnerability deriving from this dependence. What, then, are the main problems facing ENEL Società per azioni? They may be summed up as follows:

- strong dependence on foreign fuel supplies and consequent vulnerability of fuel procurement for the electric system;
- continual changes in the international situation, involving both North-South and East-West economic and political relations, and the opening of the European Market, which will bring with it new rules and new conditions of competitiveness.

The new ENEL Società per azioni will base its action on the programmes of its predecessor, the national electrical energy agency. In particular, this action will be addressed towards:

- 1) maximum diversification of area of provenance of fuels in order to ensure cheaper and more secure supplies;
- 2) diversification in the use of the various primary fuel sources;
- 3) flexibility and technological innovation of generating plants;
- 4) constant commitment to safeguarding the environment and the territory, as well as to improving

the quality of service. It must also be acknowledged that while the changing international situation represents a serious challenge, European integration will offer ENEL Società per azioni opportunities that will have to be grasped if Italy is to keep up with the other countries. In this connection an important role will be played by research and the results achieved in enhancing energy efficiency and the rational use of energy, in view of the knock-on effects in terms of reduced vulnerability and increased innovative capacity. With regard to generating facilities, ENEL's basic strategy, which will continue to be pursued by ENEL Società per azioni, consists in enhancing the flexibility of production plant so that the fuels used can be varied according to market needs and product availability. This flexibility must be guaranteed both in times of normal procurement and during possible international energy crises. Support will also be provided for numerous initia-

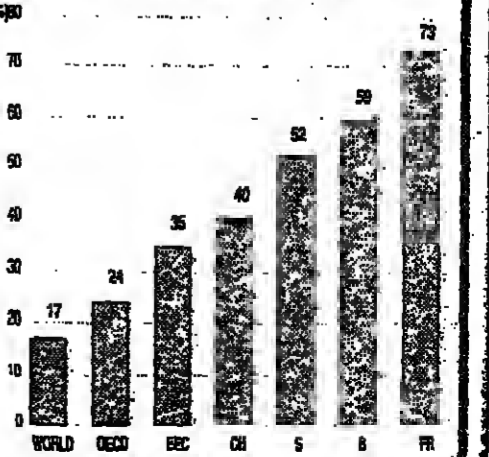
tives aimed at innovating plant technology with a view to boosting efficiency, introducing new processes and developing domestic primary energy sources. It is therefore planned to use both conventional plants and industrial-scale experimental plants in the development of innovative technologies, with special reference to:

- multi-fuel plants capable of using any of several different fossil fuels (oil, coal or gas);
- combined cycle plants;
- innovative technologies involving the use of coal;
- new hydroelectric plants (demonstrating the considerable efforts made to further raise the already high degree of utilization of Italian hydroelectric potential: from the present 70%, this will rise to 80% in 2000, a higher value than is practically any other country);
- significant commitment to identifying and developing new geothermal reservoirs (which will bring the available capacity of this source to over 1,100 MW by the year 2000);
- lastly, the development of new renewable sources. Special mention must be made of multi-fuel power stations, i.e. those plants that, as we have seen, are able to use different fossil fuels, in any case ensuring the respect of the most stringent environmental regulations.

On the occasion of the recent Gulf crisis, the International Energy Agency (IAE) asked OECD countries to reduce the demand for oil as a precautionary measure in order to reduce market tensions. Italy was the only country in the world that did not have to envisage restrictions. However, it in any case had to achieve this objective by replacing oil with other fuels in the thermal power stations, something that is possible only in multi-fuel facilities.

This is an obvious confirmation of the wisdom of the choice made, which represents a central factor in a broader strategy in which the flexibility of the production system and the diversification of fuels are viewed as essential elements in offsetting the extreme vulnerability of the electric sector due to the scarcity of locally available raw materials. In this sense, multi-fuel plants may be said to represent a fundamental strategic reserve for this country.

Nuclear energy in the world 1981. Share of electrical energy from nuclear



Business Competitiveness: Why Should Americans Overseas Be at a Disadvantage?

U.S. government policies often put American workers and businesses overseas at a distinct disadvantage when competing in international markets. It is time to end these policies and level the playing field.

The Federated League of Americans Around the Globe (FLAAG), along with its organizational members, will raise these issues with the new administration and Congress next year. FLAAG is working to demonstrate that the United States must re-evaluate its policies affecting Americans overseas in order to continue its economic leadership in the world.

The historic developments in Central and Eastern Europe and the former Soviet Union have opened new international markets. American business must be able to take advantage of these opportunities.

This is the time for Americans to take bold and innovative approaches to help provide further stimulus for the U.S. economy by effectively entering the new global economy. Free trade continues to be an important foreign policy tool that has planted the seeds of democracy and social stability throughout the world. In 1991, U.S. exports totaled \$421.7 billion, a 7 percent increase over 1990. Exports to developing countries made up almost 35 percent of total exports.

Americans around the globe are on the front lines of this worldwide economic competition. Americans overseas create export trade. According to U.S. Department of Commerce figures, each American working overseas generates approximately \$720,000 in taxable corporate revenues annually from export sales for U.S. firms, creating more than a dozen jobs and increasing tax revenues at home. Every one billion dollars in U.S. exports supports at least 22,800 jobs directly and as many as 40,000 such jobs in total.

The U.S. export level in 1991 — \$421 billion — implies that almost 17 million jobs in the United States are export-related. In addition to creating jobs in the United States, Americans employed overseas free up jobs in the United States, which helps reduce unemployment.

The following is a summary of some of the existing difficulties that need to be remedied.

Taxation
Why do U.S. government policies place American business and American workers overseas at a distinct



FEDERATED LEAGUE OF AMERICANS AROUND THE GLOBE

disadvantage when competing in international markets? Americans abroad, unlike nationals of other nations working overseas, are subject to two systems of taxation — the tax laws imposed by their country of residence and those imposed by the United States. The United States is the only major industrialized country in the world that maintains and enforces a system of taxation based on citizenship rather than on residency.

Americans working overseas are also liable for U.S. income taxes on employer-provided compensation allowances such as family transportation to and from the United States, schooling for their children and certain housing costs. These are necessary allowances to offset the additional expense of living overseas and to approximate a U.S. living standard. These allowances do not add disposable income, but they are taxed as though they were additional income.

While Section 911 of the Internal Revenue Code provides for an exclusion from income tax of foreign-earned income up to \$70,000, this apparent substantial relief is actually insufficient. By the time you offset the necessary allowances for family travel, schooling and cost-of-living adjustments, little if any of the exclusion allowance remains. In fact, if you take into consideration the double taxation of Americans overseas, the \$70,000 income exclusion in most cases does not offset the more burdensome tax consequences of working overseas.

U.S. government tax policies make American employees overseas more expensive to hire than similarly skilled workers from other countries. When these expenses are factored into the cost of providing services abroad, American firms become progressively more expensive and are consequently less competitive in international markets. These tax laws also discourage foreign companies doing business overseas from hiring Americans abroad.

When Americans are replaced by

foreign nationals, those foreign nationals buy products familiar to them from their home countries, not the United States. The loss of markets and the cutback in American jobs overseas represent a setback for American competitiveness. The impact is felt in communities at home as export-generated jobs disappear.

Social Security
In addition to the tax burdens, many U.S. citizens who work abroad for non-U.S. companies cannot voluntarily contribute to Social Security. Many consider this a major problem since many foreign companies do not have pension or savings plans that constitute an acceptable substitute.

Health Care
Health Care can also be a problem overseas. Even though citizens who have contributed to Social Security and Medicare programs may be eligible for these benefits within the United States, Medicare benefits are not available overseas. Many have a problem obtaining or maintaining health insurance. That is why FLAAG has a special Health Care Insurance Plan designed specifically for citizens residing overseas.

All of these personal disincentives affect business competitiveness. The degree of difficulty Americans have in being personally involved in international markets directly influences the degree of success achieved in selling and promoting U.S. products.

Promote U.S. Product Standards
Influencing product standards in countries is an integral part of the export promotion strategies of many foreign countries. By persuading a country to establish product standards that cannot be met by foreign competitors or met only at substantial additional cost, a significant competitive advantage is given to those businesses that already incorporate the standards. FLAAG's organizational member in the Middle East, the American Business Council of the Gulf countries, helped persuade the U.S. government to place an American standards expert in Saudi Arabia on a pilot program to

work with the Saudi Arabian Standards Organization.

Since the inception of this program in 1990, no standard incompatible with U.S. products has been promulgated. A program such as this has the potential to generate billions of dollars for U.S. companies, create thousands of jobs for U.S. workers and enhance U.S. business competitiveness.

Improve Trade Agreements
While the U.S. is the world's leading exporter, there are specific initiatives that can boost American competitiveness. An example is the Enterprise for the Americas Initiative, which is supported by FLAAG and its organizational member, the Association of American Chambers of Commerce in Latin America. This initiative offers significant trade, debt and investment incentives to assist Latin American governments in carrying out market reforms.

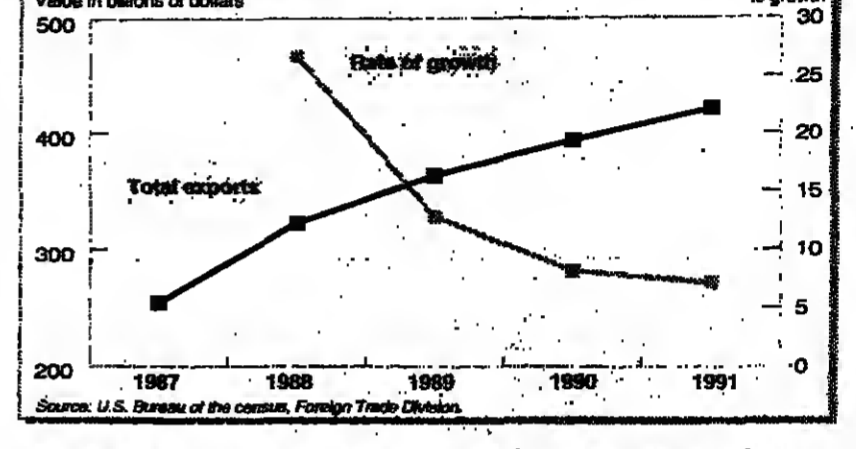
Export Promotion Activities
The United States has no central authority or mechanism for monitor-

ing, evaluating or coordinating government export promotion activity. Government support for U.S. export activity is split among at least 14 different agencies, each with its own priorities and direction. This is a disadvantage for American businesses, which find it difficult to get export information or assistance from government programs and services. In recent years, the United States has ranked last among its export competitors in export spending per capita.

may be presumptuous and counterproductive to attempt to enforce American laws in a foreign environment. For example, U.S. antitrust laws are generally considered to put American firms at risk with respect to international commercial commitments undertaken by consortiums of companies to share risk and overhead. On the other hand, when American legislation does not unnecessarily conflict with the laws of other nations, the United States should move to protect the rights, benefits and privileges of all its citizens. An example is the case "Equal Employment Opportunity Commission vs. Arabia American Oil Co.," wherein the U.S. Supreme Court found that U.S. employers employing U.S. citizens abroad were not bound by the Civil Rights Act of 1964. In this case, a U.S. citizen working for Aramco in Saudi Arabia was allegedly discharged because of his race, religion and national origin. With over 3 million Americans residing overseas, ex-

U.S. Export Growth: Mixed Results

Given that U.S. export growth has slowed from 26.8 percent in 1987 to 7.1 percent in 1991, the successful conclusion of the GATT talks may not be enough to make U.S. exporters fully competitive.



Source: U.S. Bureau of the Census, Foreign Trade Division.

ing, evaluating or coordinating government export promotion activity. Government support for U.S. export activity is split among at least 14 different agencies, each with its own priorities and direction. This is a disadvantage for American businesses, which find it difficult to get export information or assistance from government programs and services. In recent years, the United States has ranked last among its export competitors in export spending per capita.

Extraterritorial Application of Domestic Commercial Laws

The attempt to enforce American legislation in foreign commercial contexts is a source of concern to Americans overseas. American values are not universally recognized or applied, for a variety of historical, social, political, religious and other legitimate reasons. In many cases, it

transnational application of laws recognizing that these Americans should have their rights, benefits and privileges protected is an issue that FLAAG supports when there is no undue conflict with local laws. Indeed, with FLAAG's approval and support, Congress amended the Civil Rights Act of 1964 in part to reverse the Aramco decision.

FLAAG wants to know how you feel about these issues. When we present legislative initiatives to the administration and Congress, firsthand experience is important to support these efforts. Write us.

FLAAG's position with regard to these issues has been developed primarily through consultation with its organizational members, many of which are affiliated with the American Chambers of Commerce.

Henry Valentino
Chief U.S. Representative,
FLAAG, Washington D.C.

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With its main office in London, FLAAG also has offices in Paris, Hong Kong and Washington. FLAAG's representatives are available to help you. In Washington we bring your concerns to the attention of the U.S. Congress and the administration. FLAAG seeks improvements in such areas as taxation, citizenship, voting, education, medical coverage, business competitiveness and personal security as they affect all Americans around the globe.

FLAAG offers its members a clearinghouse of reliable information, FLAAG-SHIP magazine, worldwide health insurance, international seminars and special events, a data bank and resource center, and global networking. FLAAG members can receive discounted telephone service, electronic mail and other telecommunications services through FLAAG's official telecommunications sponsor, MCI.

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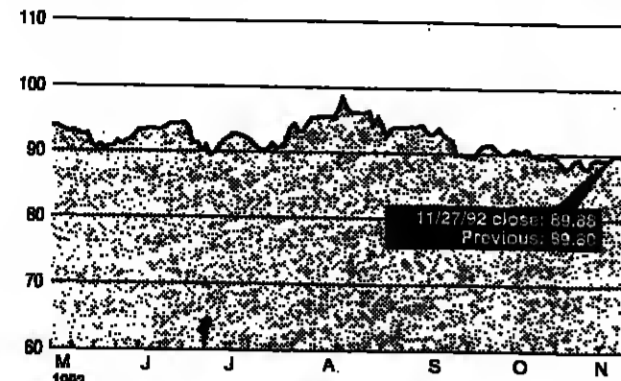
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Vertical text on the left margin: Page 14, INTERNATIONAL HERALD TRIBUNE, SATURDAY-SUNDAY, NOVEMBER 28-29, 1992, ADVERTISEMENT, U.S. government policies often put American workers and businesses overseas at a distinct disadvantage when competing in international markets. It is time to end these policies and level the playing field.

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Table with 3 columns: Asia/Pacific, Europe, N. America. Shows index values and percentage changes for various regions.

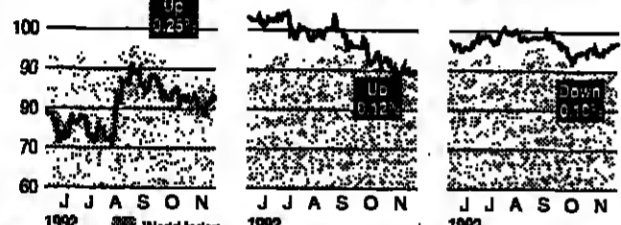


Table with 3 columns: Energy, Utilities, Finance, Services. Shows index values and percentage changes for different industrial sectors.

For readers seeking more information about the International Herald Tribune World Stock Index, a booklet is available free of charge by writing to: The Index, 181 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France.

Gains in Income And Spending Lift Wall Street Stocks

WASHINGTON — An unexpected jump in consumer spending and incomes sent Wall Street stocks surging ahead on Friday...

The rise in stocks was led by cyclical companies whose fortunes fluctuate along with the broader economy. A series of strong economic statistics in the last few days, including one of robust growth in gross domestic product last quarter, has rekindled hope that the United States may finally be emerging from more than two years of recession and stagnation.

The Dow Jones industrial average gained 15.94 points to close at 3,282.20 in trading that ended two hours early because of the Thanksgiving weekend. Broader indicators continued to hit new records with the Nasdaq index, the Standard & Poor's composite, the New York Stock Exchange composite and the Wilshire index — the broadest market indicator — reaching another round of highs.

London's stock market, moving on hopes that an end to the U.S. slump would help pull Britain out of recession, closed at a record high for the second consecutive day. The Financial Times-Stock Exchange index of 100 leading shares closed at 2,760.1, up 18.3 points.

The Commerce Department reported that consumer spending, a key component of the U.S. economy, climbed 0.7 percent in October, while personal income rose 1.0 percent for the biggest gain of the year.

"Spending power has been bolstered by the large number of mortgage refinancings," said Robert Dederick, chief economist at Northern Trust, as lower interest rates have allowed homeowners to

See SPENDING, Page 16

Iran's Cuts Lead to OPEC Accord Oil Prices Rally but Failed Venezuelan Coup Plays Big Role

VIENNA — The Organization of Petroleum Exporting Countries struck a deal on Friday to reduce production in a bid to support weakening oil prices, with Iran apparently agreeing to make most of the cuts.

Oil prices rose during the day, but dealers said much of the move came on reports of an attempted coup in Venezuela, OPEC's third-largest producer. North Sea Brent Blend, the benchmark crude in international markets, was up 20 cents at 18.95 a barrel in late London trading.

The cartel agreed to reduce its production by about 400,000 barrels a day, or nearly 2 percent, to 24.9 million barrels a day, according to Iran's oil minister, Gholamreza Aqazadeh.

Iran apparently agreed to cut its production to 3.5 million barrels a day from 3.9 million. "I respect and promise to reduce my production," Mr. Aqazadeh said. "I am sure prices must go up."

Saudi Arabia was unwilling to offer a substantial cut of its own unless Iran took a quota below what it finally agreed to, delegates said.

The deal covers the January-March quarter of 1993, but members vowed to try to cut their output beginning Dec. 1.

"It is not the best they could have done but it has put a bottom on the market," said Nauman Barakat, a vice-president for energy futures with Merrill Lynch. He said it might take six weeks to assess whether OPEC was really cutting production.

OPEC's current production rate, estimated at about 25.3 million barrels a day, is its highest in years and well above the group's previous

supposed quota of some 24.4 million barrels. Analysts believe prices are poised to fall sharply if OPEC cannot show some restraint.

A plus for OPEC was that Iran, the group's second-biggest producer after Saudi Arabia, signed the latest accord. It had dissented from the previous agreement, reached in September.

That accord, Mr. Aqazadeh said, was hopelessly flawed because it set no precise output limits for each individual country. He pronounced himself "satisfied" with the new pact

because it binds all OPEC members to "temporary allocations."

OPEC officials explained that these allocations were a step toward an eventual return to formal quotas, which OPEC abandoned in 1990 after Iraq's invasion of Kuwait threatened to create a temporary shortage of oil.

One potential weakness of the accord is that it will allow Kuwait, which is still recovering from the Gulf War, to exceed its allocation during the first quarter of next year as its production rises.

Saudi Arabia's minister, Hisham Nazer, said that the level of output that is envisaged would

about match the likely demand for OPEC oil through March.

Several countries led by Algeria had wanted production cuts of at least 500,000 barrels daily, but competing demands from Saudi Arabia, Iran, Kuwait and others to sell more oil could not be reconciled within a lower overall ceiling.

The new accord includes production from Ecuador, which at this meeting followed through on its plan announced in September to leave the cartel because it cannot afford the cartel's annual dues.

Ricardo Estrada, chief delegate of Ecuador, told reporters that OPEC understood the internal problems of his debt-laden nation and, if it ever returned, "we would be welcomed back."

OPEC officials say they do not think other smaller producers will follow Ecuador's lead. But complaints have been heard in Nigeria, Venezuela and Indonesia that their belonging at oil's top table does not stop prices being held at the mercy of the big Gulf producers.

Friday's accord was a personal triumph for Alirio A. Parra, 65, the oil minister of Venezuela who was elected OPEC's president on Wednesday.

Mr. Parra had to conduct delicate mediation between the Saudi and Iranian ministers, shuttling between hotel suites, while frantically telephoning Caracas, where a coup attempt was in progress. The rebels were later said to have surrendered.

Eugene Nowak, a senior oil analyst for Dean Witter Reynolds Inc. in New York, said Venezuela was the third-largest oil producer within OPEC behind Saudi Arabia and Iran.

(Reuters, AP, Bloomberg)

'It is not the best they could have done but it has put a bottom on the market.'

Nauman Barakat of Merrill Lynch

Digital May Lay Off 6,000 by Year-End

BOSTON — Digital Equipment Corp., which has been slashing its payroll, expects to cut up to 6,000 jobs in the quarter that ends in December, a spokeswoman said Friday.

Some of the layoffs already have occurred at Digital, which has been hit by heavy losses, said the spokeswoman, Nikki Richardson. She would not disclose what kinds of jobs would be eliminated.

Digital, the second-largest U.S. computer maker, employed about 108,500 worldwide at the end of its financial first quarter in September, after laying off 5,300 workers in the quarter. Digital's president, Robert B. Palmer, has confirmed that the company eventually expects to shrink its payroll to under 90,000 workers over the next few years.

Ms. Richardson said Digital expected to cut 5,000 to 6,000 jobs this quarter. A significant portion of those layoffs is expected in December as the quarter comes to a close.

Ms. Richardson said a "large number" of the positions being cut are in Massachusetts and New Hampshire, where more than half of the company's American employees live and work.

For its financial first quarter, Digital post-

ed a loss of \$260.5 million, compared with earnings of \$11.7 million a year earlier before an extraordinary charge.

Mr. Palmer told stockholders at the company's annual meeting this month that it would be aggressively cutting costs and increasing the number of layoffs to get its costs in line.

But while Mr. Palmer instructed managers to accelerate the cutting, many have been hesitant to comply. With the deadline looming, thousands of employees are expected to get termination notices in the next week or so.

"It's painful," one Digital manager said. "But Palmer has been telling the managers that either 20,000 to 30,000 people feel the pain, or 110,000 people will feel the pain."

Once a haven for lifetime employment, Digital, like IBM, is trying to survive the current industry slump with cuts and organizational changes. The turmoil at Digital has never been higher. "People are terrified," one employee said. Even those who manage to survive this round know more layoffs will almost certainly follow.

The layoffs were not unexpected. Digital has already pared more than 25,000 employ-

ees over the last two-and-a-half years through early-retirement incentives, layoffs and attrition. But that has not been nearly enough, in light of the stagnating economy and Digital's own problems selling its computer systems.

Analysts say Digital needs to slim down to the size of the Hewlett-Packard Corp., a competitor with similar revenues but nearly 20,000 fewer employees.

Mr. Palmer acknowledged in an interview in October that 25,000 more layoffs were likely over the next two years. At the end of the financial first quarter, the company had \$1.3 billion in reserve to cover the costs of the cutbacks. Digital is also in the midst of a sweeping restructuring, with many departments being consolidated down to eight to 10 business units and many projects being cut.

George Colony, a consultant with Forrester Research in Cambridge, Massachusetts, has watched the company cut costs before. "It feels different this time," he said, "because they are no longer cutting the fat, the nonperformers; they are cutting into the muscle."

"But this is Palmer's charter. This is what the board told him to do. It's a General Motors-type of situation: They've got to cut deep, hard and fast." (AP, NYT, Bloomberg)

EC Currency Grid Faces More Strain

LONDON — Strains on the EC currency grid appear likely to increase in the next week after a German central banker said Friday that the Bundesbank would hold firm on its anti-inflation stance.

Currency dealers said speculators were expected to set their sights on the Irish punt and perhaps the French franc — one of the core members of the exchange-rate mechanism of the European Monetary System, which weakened trading Friday.

"The Irish punt remains a solid favorite for devaluation, possibly at the weekend, but certainly sooner rather than later," said Jeremy Hawkins, senior economic adviser at Bank of America in London.

In Dublin, Prime Minister Albert Reynolds called a cabinet meeting for Saturday morning to discuss the currency crisis affecting the punt, Irish state radio said.

The Deutsche mark was steady after comments by Hans Tietmeyer, the vice president of the Bundesbank, who insisted, despite calls for a cut from European Community partners with weaker currencies, that German interest rates were "not so high."

The Bundesbank declined to throw a lifeline to the exchange-rate mechanism on Thursday and left its official rates unchanged. Pressure mounted on Tuesday when speculators targeted the French franc and Danish krone.

The punt was pinned to its lowest permitted limit against the mark this week. Irish voters dealt Mr. Reynolds a blow in a general election after his Fianna Fail party showed its worst result in 50 years.

The punt was perilously close to its 2.6190 DM floor in the exchange-rate mechanism at 2.6255.

Traders said currency turbulence was unlikely to ease as EC ministers prepared for a tussle over British proposals to freeze EC expenditure over the next three years.

Despite the strains, Mr. Tietmeyer said no big changes were necessary to the structure of the mechanism. He said he saw no reason for the Irish punt or Danish krone to be devalued.

Talk of devaluation forced the French franc to slip Friday, after statements Thursday by Finance Minister Michel Sapin on the importance to Germany and France

of a stable mark-franc rate had failed to defuse the tension.

Nigel Rendell of James Capel & Co., one London economist who is convinced that there will be no devaluation, says France and Germany will stand firm behind the mark-franc parities within the exchange-rate mechanism.

He said one theory behind the

An inflation spurt dashed hopes of a German rate cut. Page 17. The Bundesbank outlook weighed on the dollar. Page 16.

persistent pressure was that speculators viewed the currencies in the mechanism as a series of targets, knocking them down one by one.

This may be because many traders — especially in the world's major foreign-exchange center, London — are skeptical of the political will and ability to make European monetary cooperation work.

DnB Raises Rates Norway's battle to defend its krone started to hit the pockets of ordinary Norwegians on Friday when the country's biggest bank announced an increase in interest rates to private clients.

DnB's move came as it would raise loan and deposit rates by a maximum of one percentage point beginning Tuesday. DnB is the first Norwegian bank to raise rates to private clients since pressures for a Norwegian devaluation erupted last week after neighboring Sweden let its currency float.

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AMSTERDAM DEPOSITORY COMPANY N.V. Amsterdam, 25 November, 1992.

ECONOMIC SCENE

High-Tech Promoters Fight For Clinton's Ear on Trade

By Peter Passell, New York Times Staff

NEW YORK — Is Bill Clinton in for clear sailing on trade? Don't bet on it. Although last week's compromise over subsidies for France's grain farmers apparently broke the stalemate on world trade negotiations and the momentum behind the North American Free Trade Agreement seems almost unstoppable, conflict still lurks on the horizon.

In no small measure, that's because the new administration is likely to be the first since World War II that is less than committed to freer trade. Indeed, trade policy sits on a natural fault running through the new Democratic coalition.

On one side is the economics and foreign-policy establishment, most upscale academicians and Wall Street power brokers who are convinced that open trade is the best defense against stagnation and political conflict in the industrialized world.

On the other are assorted economists, lawyers and lobbyists who see trade — especially in high-technology goods — as a prime battleground in the post-Cold War era. Their badge of intellectual respectability is the "new trade theory," a modern critique of the logic of free trade.

Although the ranks of these trade "activists" — they do not like the "protectionist" label — may be small, their influence with congressional Democrats, Silicon Valley industrialists and the Clinton inner circle is large.

One of the rank, Laura D'Andrea Tyson, an economist at the University of California at Berkeley, holds a key position on the Clinton transition team.

Both sides agree that the classic rationale for protecting domestic industry — the "we can't compete with workers who live on a bowl of rice" argument — is passe. Both sides also agree that America's chronic trade deficit is driven by differences in national savings and investment rates, and is thus no indicator of foreign parity. But the activists part company with free traders on whether the composition of trade should be a critical government concern.

The activists argue that the big winners in trade are the countries that export goods from industries that generate fat profit margins, high wages and valuable technological spinoffs. And the way to end

See TRADE, Page 20

The Skies Look Brighter for Reinsurers

By Kurt Eichenwald, New York Times Staff

NEW YORK — With hurricanes, a typhoon and a riot, this has not been a great year for the U.S. insurance industry. So, as the claims stemming from all troubles weigh down insurers and reinsurers, who would pick now to take one of these companies public?

"Try Kohlberg, Kravis, Roberts & Co., the New York buyout firm that purchased American Re Corp. just two months ago in a \$1.4 billion buyout.

The timing of the offering of 24 percent of the reinsurance company, which essentially acts as an insurer for insurance companies, is not as irrational as it might appear. Indeed, the dealmakers at Kohlberg, Kravis may be muttering their thanks for the recent natural disasters, because they seem to have brought on quick profits.

The planned offering, which is expected to raise about \$200 million, is the fastest Kohlberg, Kravis has ever gone to the public markets with a company it has purchased. Usually, the firm's practice is to take a company private using a little equity and lots of debt, spend years investing in it and improving its value, and then sell a portion back to the public at a huge profit. That is how it was done with such home runs for Kohlberg, Kravis as Durrant International and Motel 6.

But by turning to the public markets about two months after buying American Re from Actua-Life & Casualty Co., Kohlberg, Kravis is taking advantage of a window of profitability opened in the aftermath of the hurricane designated Andrew and other recent catastrophes.

The reason? The fallout from the disasters has triggered the biggest

General Re Corp. for example, have climbed about 25 percent since August. They eased 25 cents on Friday, to \$110.75, on the New York Stock Exchange.

The boom stems from the heavy disaster-related claims that have hit across the insurance and reinsurance industries. This year, claims for damages from various catastrophes have reached \$17 billion, ac-

ording to Gary Kerney, the director of catastrophe services for Property Claims Services, which monitors insurance claim totals.

That has had an impact on pricing, the strength of competition in the reinsurance industry and the number of customers and the volume of business they demand.

"The losses will do what we refer to as harden the market," Frank Nutter, president of the Reinsurance Association of America, said. "It will cause some of the soft pricing that has existed for several

years to be dropped. So these catastrophes have an almost counter-intuitive effect on values."

But price increases are coming too late for some in the industry. A number of reinsurers, battered by heavy losses, have begun to trim their sails, essentially ceding some business to the stronger competitors. For example, Scandia Group Insurance Co. recently announced plans to cut back its volume of reinsurance business, and other companies have tried unsuccessfully to sell their reinsurers outright.

With all of those factors converging, the Kohlberg, Kravis decision to make a public offering opens up an opportunity for American Re: the ability to write more policies. Under insurance-company rules, companies can write policies in direct proportion to their leverage. That means that, the higher the debt, the fewer policies that can be issued.

So, with this public offering — which the SEC document says will decrease the reinsurer's debt from \$1.1 billion to \$875 million — Kohlberg, Kravis is essentially getting out of the way to let one of its properties catch what experts predict could be a tidal wave of business.

CURRENCY & INTEREST RATES

Table with multiple columns: Cross Rates, Eurocurrency Deposits, Key Money Rates, Other Dollar Values, Forward Rates. Contains various financial data points and interest rates.

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The development and Management of the Hotel des Roses, Rhodes Greece

The municipal enterprise "Municipality of Rhodes Tourist and Hotel Enterprises S.A." seeking to collaborate with a reputable firm for the Development and Management of the historic Hotel des Roses, announces:

A CALL FOR THE EXPRESSION OF INTEREST from firms or groups of firms for the project.

The companies which will comply with the requirements of this call will be invited to submit a binding offer for the implementation of the investment plan of approx. \$100 million, the financing of the project and the operation of the facilities.

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Municipality of Rhodes Tourist & Hotel Enterprise S.A. Tel: (0241) 37557-8 / 23801, Fax: (0241) 29696 or Euroinvest S.A., Investment Advisors, Solonos 10, 106 73 Athens, Tel: 3609916-8, Fax: 3618563

MARKET DIARY

Outlook for Rates Leaves Dollar Flat

NEW YORK — The dollar stagnated on Friday as growing market skepticism about a German rate cut counterbalanced bullish U.S. economic data, dealers said.

At the end of a session rendered dull by the Thanksgiving holiday, the dollar was at 1.5987 Deutsche marks, up very slightly from 1.5960 at Thursday's London close but off its high of 1.6060 DM for the day.

The dollar also rose a little against the yen, to 124.40 from 123.95, and the Swiss franc, to 1.4395 from 1.4320. But it slipped on the French franc, to 5.4275 from 5.445. The pound receded to \$1.312 from \$1.5205.

Traders said the dollar bounced up after the U.S. government reported strong October data on personal income and consumer spending, but it subsided, Earl Johnson, vice president at Harris Trust & Savings Bank, said the dollar slumped when it failed to pierce 1.6050 DM.

The U.S. currency was impeded by German inflation data and hawkish comments from the Bundesbank's deputy president, Hans Tietmeyer, which made a rapid cut in rates look very unlikely.

News of a bigger-than-expected 0.5 percent rise in the German cost-of-living index in the month to mid-November provided more evidence of stubborn inflationary pressures in Germany, analysts said.

Mr. Tietmeyer said German monetary policy must stick to its anti-inflationary course in the face of large rises in prices and costs.

At the same time, some economists forecast a year-end dollar correction as trading winds down toward Christmas and traders cash in profits made on the dollar's 13 percent rally since early October.

"I wouldn't be surprised to see the dollar snowball back to the 1.55 marks again as we get into December, Christmas beckons and traders can cash in on a very profitable second half," said Ian Amstad, economist at Bankers Trust.

"The Fed's not going to lift rates soon to the extent the market has been pricing in, and there's no strong chance the Bundesbank is going to ease before year-end unless the whole ERM blows up," Mr. Amstad said.

(Reuters, Bloomberg)

SPENDING: Strong U.S. Data

(Continued from first finance page) reduce their mortgage payments. "It has given consumers extra buying power."

The spending and income news came on the day after Thanksgiving, typically the busiest shopping day of the year and the beginning of a crucial time for retailers.

Retailers say they have good reason to expect that this year will be their best since 1988.

Surveys, including one released Tuesday by the Conference Board, have shown consumer confidence improving. The business research organization also found U.S. households would increase their spending on Christmas gifts to an average of \$400 from \$377 last year.

Specialty retailing stocks had already been rallying on perceptions that holiday sales will show strength. "I hear the malls are jammed today," said Richard Claudio, director of institutional trading at Eagle Asset Management. "I think it's going to be a very good Christmas."

Along with general retail stores, such cyclical groups as paper and forest products, and chemicals, were the most active sectors in the Standard & Poor's 500.

Tempering the seasonal glee, however, was a series of special factors that boosted personal income in October. These included large farm-subsidy payments, bonuses for auto workers, restitution to Japanese-Americans detained during World

War II, a rebound in real payments after Hurricane Iniki in Hawaii, and early retirement packages for postal service employees.

Excluding these special conditions, income rose an estimated 0.4 percent in October, the government said, a solid if unimpressive gain.

October's seasonally adjusted annual rate of \$5.13 trillion in personal income follows a 0.5 percent increase in September, earlier reported as a rise of 0.7 percent.

October's 0.7 percent gain in the personal spending rate to a seasonally adjusted \$4.158 trillion follows a 0.9 percent jump in September, earlier reported as a 0.7 percent increase.

Wages and salaries — the most-watched component of income — rose 0.6 percent in October after falling 0.1 percent in September.

Economists were expecting the October wage gain because they have noted that employees are working longer hours.

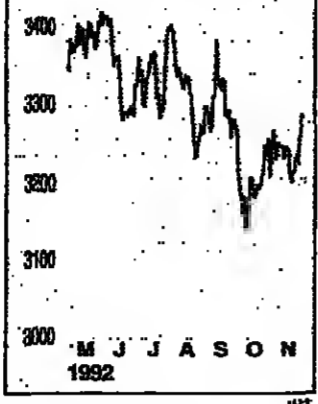
Hope of a sustained recovery has been rampant on Wall Street during a holiday-shortened week, as the Dow industrials rose 55 points above the end of the previous week.

The price of the Treasury's main 30-year bond, meanwhile, was down 21/32 point, or 36.56 per \$1,000 in face amount, reacting to the income and spending data. Its yield rose to 7.59 percent.

Trading in stocks was light, but still totaled about 107 million shares on the Big Board, well above the 77 million shares that traded on this day last year. (AP, Bloomberg, Reuters)

The Dow

Daily closings of the Dow Jones Industrial average



M J J A S O N 1992

NYSE Most Actives

Table listing the most active stocks on the NYSE, including volume, high, low, and change.

AMEX Most Actives

Table listing the most active stocks on the AMEX, including volume, high, low, and change.

NYSE Diary

Table listing various NYSE indices and their performance.

Amex Diary

Table listing various AMEX indices and their performance.

MASDAQ Diary

Table listing various NASDAQ indices and their performance.

Dow Jones Averages

Open High Low Last Chg.

Table showing Dow Jones averages for various sectors like Industrials, Transp., Utilities, etc.

Standard & Poor's Indexes

Table showing Standard & Poor's indexes for various sectors.

NYSE Indexes

Table showing NYSE indexes for various sectors.

NASDAQ Indexes

Table showing NASDAQ indexes for various sectors.

AMEX Stock Index

Table showing the AMEX stock index.

Dow Jones Bond Averages

Table showing Dow Jones bond averages for various maturities.

Market Sales

Table showing market sales for various sectors.

N.Y.S.E. Odd-Lot Trading

Table showing N.Y.S.E. odd-lot trading statistics.

S&P 100 Index Options

Table showing S&P 100 index options data.

EUROPEAN FUTURES

Class High Low Prev. Close

Table showing European futures for various commodities like Cocoa, Wheat, etc.

Food

Table showing food futures prices.

Metals

Table showing metal futures prices.

Financial

Table showing financial futures prices.

Stock Indexes

Table showing stock index futures prices.

Spot Commodities

Table showing spot commodity prices.

Dividends

Table showing dividend information for various companies.

DEUTSCHE MARK (DM)

High Low Close Change

Table showing Deutsche Mark exchange rates.

INDUSTRIALS

Table showing industrial futures prices.

COFFEE (ICE)

Table showing coffee futures prices.

SOYBEAN OIL (ICE)

Table showing soybean oil futures prices.

WHEAT (CBOT)

Table showing wheat futures prices.

SOYBEAN MEAL (CBOT)

Table showing soybean meal futures prices.

SOYBEAN OIL (ICE)

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SOYBEAN OIL (ICE)

Table showing soybean oil futures prices.

Shearson and PaineWebber Fined

CHICAGO (Bloomberg) — A National Association of Securities Dealers arbitration panel said Friday that Shearson Lehman Brothers Inc. and one of its former brokers must pay investors \$560,000 for, among other things, excessively buying and selling securities in the customers' account.

The panel also said that Shearson and the broker, Nicholas Diminico, must pay \$400,000 of the award in the form of punitive damages to the investors, Antonio Mastromarco, a University of Illinois professor, and his wife. Shearson is challenging the punitive damages in federal court.

Meanwhile, PaineWebber Inc. agreed Friday to pay \$150,000 to settle Commodity Futures Trading Commission charges that it failed to keep proper records of a former employee's orders. PaineWebber allegedly violated laws by failing to make an immediate written record of orders made by Lowell Braxton Northern 3d between December 1987 and May 1989, the CFTC charged.

Concord Leasing Takes Extra Charge

HONG KONG (Bloomberg) — The international banking group HSBC Holdings said Friday that its U.S. leasing arm, Concord Leasing Inc., had taken a further charge of \$61.4 million for the third quarter. The charge is in addition to the \$75 million taken against Concord's shipping portfolio announced on Sept. 28 this year, when HSBC injected \$100 million of new capital into the subsidiary. An HSBC spokesman said the company did not anticipate increasing the \$100 million injection.

The spokesman said the latest problems identified at Concord are due to the poor business environment in the United States. Concord has activities in aircraft, construction, computers and medical equipment.

Ohio Bancorp Woes Potential Suitors

YOUNGSTOWN, Ohio (AP) — Ohio Bancorp said Friday that it had been talking to possible suitors after losses it blamed on loans to the troubled Pharm-Mor Inc. drugstore chain.

Ohio Bancorp said the discussions related to "a possible disposition of the company." It did not identify the other financial institutions involved in the talks.

Bethlehem Mill May Reopen Soon

BALTIMORE (AP) — The rod mill at Bethlehem Corp.'s Sparrows Point steel mill could be up and running by February, said a spokesman for the company that bought the closed mill.

T. N. Ramaswamy, director of finance for Ispat Mericana SA de CV, said the company wanted to complete the purchase in January.

A Westinghouse Windfall

NEW YORK — Bondholders have a chance to reap a windfall from Westinghouse Electric Corp.'s plan to take a record \$2.83 billion charge and sell its unprofitable financial-services business, analysts say.

The restructuring should make the Pittsburgh-based electronics and broadcasting company healthier and "that translates essentially into a buy" for about \$4.5 billion of Westinghouse bonds, said Jim Duxey, a Prudential Securities analyst. Some Westinghouse bonds are worth about \$90 per \$1,000 face amount, or \$90 more than the \$70 per \$1,000 quoted earlier this week, analysts said.

Shareholders already are sitting on a 29 percent gain since Westinghouse said Monday that it would sell some businesses, slash its dividend and focus on its electrical energy, distribution and manufacturing businesses. Westinghouse stock has surged 29 percent in a week.

Investors are bidding about \$87 for Westinghouse's 8 percent bonds, due 2012, or \$119 less than the \$990.50 price they fetched when the company sold them last August, according to traders at Donaldson, Lufkin & Jenrette.

EC Clears BA Takeover of TAT as Attali Fumes

BRUSSELS — The EC Commission on Friday approved British Airways' takeover of the French regional airline TAT on the condition that BA give up some flight slots if competitors need them.

The commission cleared the way for BA to take a 49.9 percent stake in the privately owned Transport Aérien Transrégional with an option to pick up the remainder by April 1, 1997. TAT can oblige BA to exercise the option on that date.

In Paris, Air France Chairman Bernard Attali blasted the commission's decision. "Once more, following the Dan-Air deal, the commission's competition authorities refuse to subject British Airways to the same kind of rules followed in other cases, and particu-

larly for Air France," Mr. Attali said. The EC competition commissioner, Sir Leon Brittan, earlier this month allowed BA to take over the British regional carrier Dan-Air without an EC merger inquiry.

Mr. Attali said he was requesting an urgent meeting with Sir Leon to discuss the matter. Mr. Attali has strongly opposed the deal, saying Sir Leon, who is British, of his own accord, had earlier been forced by the commission to give up its own stake in TAT.

The commission cleared BA and TAT to form a joint venture to control TAT, which has 3.8 percent of scheduled air traffic in France. In return, BA will be obliged to surrender up to 12 landing/takeoff slots if another carrier needs them to start up or expand a service between Paris and London's Gatwick airport.

BA will have to give up a maximum four slots if a competitor needs them to fly the Lyon-Gatwick route, once traffic on the route has topped 40,000 passengers a year.

The commission said in a statement that it gave TAT's small share of the traffic in France and BA's absence from the market, "there is no risk of the joint venture strengthening or creating a dominant position."

It said there would be some overlap on Paris-London routes, where BA's share of traffic will increase to 52.2 percent from 49.5; Air France has 32.9 percent.

Taking into account BA's merger with Dan-Air, the new joint venture will control 98.6 percent of traffic between Gatwick and Paris. (AFP, AP, Reuters)

WORLD STOCK MARKETS

Table showing world stock market indices for various countries including Amsterdam, Helsinki, Hong Kong, Brussels, Johannesburg, Frankfurt, London, Milan, Zurich, Stockholm, Toronto, and others.

More Funds for Eurotunnel

LONDON — The banking syndicate providing £6.8 billion (\$10.3 billion) of credit lines to Eurotunnel have granted a waiver to allow Eurotunnel to draw further funds from the credits through May 1994, Eurotunnel said Friday.

That date is well after the projected start-up of operations at the end of 1993. The continuation of the waiver depends on the final stages of construction and commissioning proceeding in line with expectations.

Permission to draw on existing credit lines has been required for several months because Eurotunnel fell into technical breach of a loan covenant earlier this year. Lenders on Sept. 30 allowed Eurotunnel to keep drawing until Dec. 1.

(AFP, Bloomberg, Reuters)

U.S. FUTURES

Season Season High Low Open High Low Close Chg.

Table showing U.S. futures prices for various commodities like Grains, Metals, Lumber, and others.

Prices Hit German Rate Hopes

FRANKFURT — Consumer prices in Western Germany accelerated further in November, frustrating the Bundesbank's efforts to contain inflation and dashing hopes that the central bank will lower interest rates any time soon.

The Federal Statistics Office said Friday that consumer prices in Western Germany climbed 0.5 percent in November from October and were up 3.7 percent from a year earlier.

It marked the fourth straight month that the annual inflation rate had accelerated. In July, the inflation rate was 3.3 percent.

"It is certainly not the sort of figure that will lead the Bundesbank to lower interest rates quickly," said Ulrich Beckmann, economist at Deutsche Bank. "Inflation will also remain too high next year."

Economists, who had been expecting that inflation would ease to about 3.5 percent, said the rate now could hit 4.5 percent in January, when Germany raises its value-added tax rate to 15 percent from 14 percent.

The inflation news, which had been foreshadowed by jumps in prices reported by several German states earlier this week, offset signs of moderation on the wage front Friday.

Germany's largest public-sector union, OETV, set a more mellow tone for 1993 pay talks when it

made an initial demand for a 5 percent pay rise. In Bonn, the Interior Ministry rejected the demand as "completely exaggerated due to the current difficult economic and financial situation."

Such a raise, it said, "would burden the public budgets by an additional cost of about 21 billion marks," or some \$13 billion.

Nevertheless, the demand was barely more than half the 9.5 percent the union had demanded at the start of last year's turbulent pay round. It also was close to the unofficial goal set by politicians and economists of capping wage rises across German industry at around 4 percent — roughly the inflation rate — in the new pay round.

"I can imagine that the Bundesbank would be satisfied if we could bring wage rises down to 4 percent," said Norbert Braems of Barclays de Zoete Wedd.

Hans Tietmeyer, the Bundesbank's deputy president, said before the inflation figures were published that German monetary policy must hold its anti-inflationary course because of sharp rises in prices and costs.

"The problem of excessive cost and price rises in Germany has not yet been solved to our satisfaction," he said in a speech in London. "What is essential now," he added, "is that the needed fiscal and wage policy decisions are made soon and convincingly."

Daimler Seeks Tie With Pratt

Bloomberg Business News

MUNICH — Daimler-Benz AG's Deutsche Aerospace arm is seeking cooperation with United Technologies Corp.'s Pratt & Whitney unit, DASA's chief executive said Friday.

The executive, Jürgen Schrempf, said the approach to Pratt & Whitney, a manufacturer of jet engines based in Hartford, Connecticut, came after DASA dropped plans for a venture with BMW Rolls-Royce GmbH, another big manufacturer. It is 50.5 percent owned by Bayerische Motoren Werke AG and 49.5 percent by Britain's Rolls-Royce PLC.

"Talks between us and BMW Rolls-Royce didn't get anywhere, because BMW Rolls refused to be a joint partner in such a venture," Mr. Schrempf said. "Under no circumstances," he said, "would DASA have allowed BMW Rolls to take control of DASA's unit MTU Motoren & Turbinen-Union Friedrichshafen GmbH.

"MTU has traditional strategic links with Pratt & Whitney, and we are eyeing the possibilities of a cooperation with them," Mr. Schrempf said. At the same time MTU is seeking cooperation with a Japanese jet-engine maker, he said, declining to give more details.

DASA and BMW Rolls-Royce began discussing the joint development of a jet engine for medium-sized passenger aircraft this summer. Originally, both BMW Rolls-Royce and MTU had planned to develop jet engines for aircraft comparable to the Boeing 737. But the German government's decision to provide funds for just one such project caused the companies to consider a joint venture.

Russian Aide Balks At Debt Demand

Compiled by Our Staff From Dispatches

MOSCOW — A government minister said Friday that the Paris Club of creditor nations was asking Russia to pay more than \$5 billion in debt repayments in 1993 but that this was not realistic.

Deputy Prime Minister Alexander N. Shokin said that Moscow could not afford to pay more than \$3 billion to service debt next year. He refused to say exactly how much the Paris Club wanted Russia to pay in 1993 but said it was more than \$5 billion.

"This is not realistic for us," he added.

Russian officials say debt payments totaling \$38 billion fall due next year of the total \$70 billion owed by the former Soviet Union. The debt is now managed solely by Russia. Previously, Russia and Ukraine had been bickering over whether Ukraine might take responsibility for a portion of the Soviet debt, to make Ukraine eligible for future Western financial assistance.

Mr. Shokin said Russia's position on debt repayments had been dictated by its balance-of-payments situation.

"If the demands exceed what we can pay, Russia will have to increase its sales and exports of arms and petroleum," he said.

Creditor governments grouped under the Paris Club failed to reach an accord this week on rescheduling the foreign official debt of the former Soviet Union, but sources familiar with the negotiations said Friday that talks would resume in a few weeks.

According to the sources, who spoke on condition of anonymity, the delay on a settlement was more a political than a financial question.

Yeltsin Orders Oil Privatization

Compiled by Our Staff From Dispatches

MOSCOW — President Boris N. Yeltsin of Russia signed a decree on Friday ordering all state oil enterprises to be privatized within three years.

All Russian organizations involved in extracting, refining and transporting petroleum products must be converted into joint-stock companies, according to the decree, which was drafted in October.

The Interfax news agency said the government would hold 38 to 49 percent of shares in the privatized firms for a period of three years. The share issues should be completed by the end of the year.

Interfax said foreign investors would be offered no more than 15 percent of the shares and that the oil and oil-product pipeline network would remain under state control.

(AP, Bloomberg)

Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40
1990: 1800	2000	2100
1991: 1700	2700	1900
1992: 1600	2500	1800
1993: 1500	2300	1700
1994: 1400	2200	1600

Exchange	Index	Friday Close	Prev. Close	% Change
Amsterdam	CBS Trend	103.20	103.20	Unch.
Brussels	Stock Index	5,565.20	5,558.16	+0.13
Frankfurt	DAX	1,522.95	1,523.18	-0.02
Frankfurt	FAZ	599.41	601.12	-0.28
Helsinki	HEX	948.79	856.69	-0.81
London	Financial Times 30	2,077.50	2,056.00	+1.05
London	FTSE 100	2,760.10	2,741.80	+0.67
Madrid	General Index	215.30	214.77	+0.25
Milan	MIB	867.00	874.00	-0.80
Paris	CAC 40	1,749.66	1,739.68	+0.57
Stockholm	Affarsvaeriden	994.15	999.05	-2.59
Vienna	Stock Index	348.38	347.20	-0.24
Zurich	SBS	632.80	626.20	+1.05

Sources: Reuters, AFP
International Herald Tribune

Soft Market Hits Michelin

PARIS — Michelin's shares, which had risen steadily on a recovery in the tire market, suffered a sharp Friday as the company said it would reduce working hours at European plants because of accumulating stocks.

The price of shares in the company, whose full name is Compagnie Générale des Etablissements Michelin SCA, tumbled 4 percent to 177.60 francs (\$32.90).

The company said workers would be asked to stay home for periods of two to 12 days in December. "The current situation in the car market forces us to adjust production in our European units to what is absolutely necessary," a Michelin spokesman said. Outside France, the group has factories in Spain, Italy, Germany, Britain and the Netherlands.

Michelin shares have risen over the year from a low of 120.50 francs, helped by firmer demand for tires and prospects of technical innovations.

But nine-month figures published last week indicated the market had turned down again, with Michelin's revenue dropping 10 percent in the third quarter, to 15.49 billion francs.

(AFP, Reuters, Bloomberg)

Volvo's Belgian Plant To Lower Output in '93

BRUSSELS — Volvo AB's plant in Ghent, Belgium, will cut production by up to 7,000 cars in the first six months of 1993 by suspending work on Fridays, a company spokesman said Friday.

"We want to prevent stockpiles," said Guido De Vilder, public relations manager at Volvo Ghent.

The plant produces 400 Volvo 850 models a day. The decision affects 2,400 workers at the plant.

Mr. De Vilder said the decision reflected lower car sales in Europe, but that Volvo might review the measure if sales picked up.

COMPANY RESULTS

Revenue and profits or losses, in millions, are in local currencies unless otherwise indicated.	1st Half	1992	1991
Germany			
Bayer	Revenue	21,247	22,226
Profit	2,224	44,444	2,244
Daimler-Benz	Revenue	1,224	1,224
Profit	1,224	1,224	
Schering	Revenue	4,224	4,224
Profit	4,224	4,224	
Thyssen	Revenue	3,224	3,224
Profit	3,224	3,224	
Japan			
Komatsu	Revenue	9,224	9,224
Profit	9,224	9,224	
Mitsubishi Corp.	Revenue	8,224	8,224
Profit	8,224	8,224	
TDK	Revenue	1,224	1,224
Profit	1,224	1,224	
Switzerland			
BBC Brown Boveri	Revenue	1,224	1,224
Profit	1,224	1,224	
United States			
Litton Industries	Revenue	1,224	1,224
Profit	1,224	1,224	
Walt-Mart Stores	Revenue	1,224	1,224
Profit	1,224	1,224	
Wang Laboratories	Revenue	1,224	1,224
Profit	1,224	1,224	
France			
Euro Disney	Revenue	1,224	1,224
Profit	1,224	1,224	
Royal Indesat	Revenue	1,224	1,224
Profit	1,224	1,224	
Britain			
Arystol Group	Revenue	1,224	1,224
Profit	1,224	1,224	
BET	Revenue	1,224	1,224
Profit	1,224	1,224	
Bank of Montreal	Revenue	1,224	1,224
Profit	1,224	1,224	
British Gas	Revenue	1,224	1,224
Profit	1,224	1,224	

EC: New Rift, Old Cause — Money

(Continued from page 1)

Group up other supporters, such as Greece and Ireland, by offering to back the poorer EC nations in their money demands if they will line up to protect French farmers.

Britain, currently serving a six-month term as EC president, proposed to hold Brussels's share of spending steady for three years at the current level of 1.2 percent of the Community's overall economic output. After 1993, that share would rise gradually to a cap of 1.25 percent in 1999, raising EC spending to an estimated 80 European Currency Units (\$98.5 billion) at the end of the decade from about \$82.3 billion currently.

Norman Lamont, Britain's chancellor of the Exchequer, described his government's new spending proposals as "more modest and less extravagant" than those advanced by Jacques Delors, president of the EC Commission.

Mr. Delors, however, attacked the British budget blueprint as contrary to the "spirit of Maastricht," according to the chief commission spokesman.

There is still time to knit together agreements within the Community, but many officials are expressing concern that fraying European unity could unravel even further if no progress is made soon.

U.K. Clears Allied-Carlberg Venture

LONDON — Allied Lyons PLC and Carlsberg A/S said Friday they would proceed with the merger of their British brewing and wholesaling operations, after the Department of Trade and Industry cleared it.

The venture, Carlsberg-Tetley Ltd., will include Carlsberg's British brewery and Allied-Lyons's six. It will have annual sales of more than £1 billion (\$1.5 billion) and a 19 percent share of Britain's beer market.

Michael Heseltine, the secretary for trade and industry, said he had agreed to changes in a recommendation of the Monopolies and Mergers Commission on the merger that was seen as difficult to implement.

Allied-Lyons will now have to free a further 400 pubs from exclusive supply agreements above the number already freed. It would have had to amend its agreements with its pubs so that tied tenants would be free after two years to buy half their lager requirements from suppliers of their choice.

(Bloomberg, Reuters)

NASDAQ

Friday's Prices
NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

12 Month High	Low	Stock	Div	Yld	PE	52	High	Low	Latest	Chg
100	100	IBM	4.00	4.00	12	100	100	100	100	0
100	100	Microsoft	0.00	0.00	15	100	100	100	100	0
100	100	Oracle	0.00	0.00	15	100	100	100	100	0
100	100	Sun	0.00	0.00	15	100	100	100	100	0
100	100	Intel	0.00	0.00	15	100	100	100	100	0

12 Month High	Low	Stock	Div	Yld	PE	52	High	Low	Latest	Chg
100	100	AT&T	0.50	4.00	15	100	100	100	100	0
100	100	Verizon	0.50	4.00	15	100	100	100	100	0
100	100	WorldCom	0.50	4.00	15	100	100	100	100	0
100	100	Sprint	0.50	4.00	15	100	100	100	100	0
100	100	Qwest	0.50	4.00	15	100	100	100	100	0

12 Month High	Low	Stock	Div	Yld	PE	52	High	Low	Latest	Chg
100	100	Amgen	0.00	0.00	15	100	100	100	100	0
100	100	Genentech	0.00	0.00	15	100	100	100	100	0
100	100	Amgen	0.00	0.00	15	100	100	100	100	0
100	100	Genentech	0.00	0.00	15	100	100	100	100	0

12 Month High	Low	Stock	Div	Yld	PE	52	High	Low	Latest	Chg
100	100	Amgen	0.00	0.00	15	100	100	100	100	0
100	100	Genentech	0.00	0.00	15	100	100	100	100	0
100	100	Amgen	0.00	0.00	15	100	100	100	100	0
100	100	Genentech	0.00	0.00	15	100	100	100	100	0

12 Month High	Low	Stock	Div	Yld	PE	52	High	Low	Latest	Chg
100	100	Amgen	0.00	0.00	15	100	100	100	100	0
100	100	Genentech	0.00	0.00	15	100	100	100	100	0
100	100	Amgen	0.00	0.00	15	100	100	100	100	0
100	100	Genentech	0.00	0.00	15	100	100	100	100	0

12 Month High	Low	Stock	Div	Yld	PE	52	High	Low	Latest	Chg
100	100	Amgen	0.00	0.00	15	100	100	100	100	0
100	100	Genentech	0.00	0.00	15	100	100	100	100	0
100	100	Amgen	0.00	0.00	15	100	100	100	100	0
100	100	Genentech	0.00	0.00	15	100	100	100	100	0

Gold Mine Shares Drop in Australia

MELBOURNE — Share prices of companies involved in Papua New Guinea's rich Porgera gold mine fell dramatically Friday after Prime Minister Pias Wingti said Thursday that the government wanted to raise its stake in the mine to 30 percent from 10 percent.

"It's very negative," said Ronald Hay, an adviser with the Melbourne-based brokerage EL&C Baillieu Ltd. "If I were going to have dealings with anything in PNG I would be very, very cautious."

"Clearly, Wingti must have some sort of a game plan. He can't be that silly. He said he wanted to bring in companies from countries other than Australia, but what must it look like if you are sitting in Germany or Canada?"

The Porgera mine, which last year produced 1.2 million ounces of gold, is owned by Placer Pacific Ltd., Highlands Gold and Renison Goldfields Consolidated Ltd., each with a 30 percent share.

The companies said the government would be breaching a signed agreement if it sought a larger share. They are expected to insist that there is no justification for the government to seek an increased equity stake of 6.7 percent from each of them.

The companies and the government have been at odds since Mr. Wingti said on Sunday that the government had been misled about the production and profitability of the mine. The companies denied the allegation.

The gold stocks index plunged 3.65 percent Friday in heavy trading and the negative sentiment spilled over to other resources companies with investments in Papua New Guinea.

But Chris Baker, a gold analyst at Barclay de Zoete Wedd Australia, said the sharp price declines in shares of the Porgera mine partners were probably an overreaction.

"It is clear that the Porgera joint venturers are not sellers unless the government is willing to pay a premium to the fair price for the assets," he said. "The market is factoring in a much more punitive deal with the government."

Highlands Gold shares ended at 75 cents (52 U.S. cents), down 16 cents, or about 18 percent, on volume of 2.52 million shares. Placer Pacific was down 18 cents at 1.27 dollars on volume of 2.33 million shares. Renison Goldfields closed 18 cents lower at 2.75, after trading as low as 2.60.

After the close of the market, Standard & Poor's Australia said it was placing Renison's long- and short-term debt on CreditWatch because the company's high debt and weak outlook on nongold mining operations put it at risk.

The giant Australian mining concern MIDM Holdings Ltd., which holds a 65 percent stake in Highlands Gold, slipped 1 cent to 2.47. Standard & Poor's later affirmed its debt ratings on MIDM, saying its extensive copper, lead, zinc and other gold operations shield it from the risks attached to the Papua New Guinean government actions.

Arnotts, Malaysian Baker Discussing China Venture

SYDNEY — Arnotts Ltd. said Friday that it was holding discussions with Asia's largest baker, Khong Guan Holdings Bhd. of Malaysia, on a joint venture in China.

Paul Bourke, the managing director of Arnotts, Australia's largest cookie and cracker maker, said he recently received a letter from Khong Guan confirming that company's interest in the project. Mr. Bourke said Khong Guan has 16 factories in Asia, including a joint venture with Arnotts in Singapore.

Negotiations on the China venture began six months ago, before Campbell Soup Co. of the United States launched a hostile takeover bid for the two-thirds of Arnotts it does not already own. Campbell insists that its strategy is to catapult Arnotts into the lucrative Asian market. Arnotts argues that it is moving in without Campbell's help.

Campbell's offer values the whole company at 1.2 billion Australian dollars (\$825 million).

Fletcher Sells Bank To a Unit Of Lloyds

WELLINGTON — Fletcher Challenge Ltd. said Friday that it had sold its Rural Bank Ltd. to National Bank of New Zealand, a unit of Lloyds Bank PLC, for 450 million New Zealand dollars (\$233 million).

Rural Bank is New Zealand's largest agricultural banker. Fletcher Challenge, a forest-products and paper company, said the sale price comprised 100 million dollars in dividends from Rural Bank and 350 million from the National Bank as purchase price.

Hugh Fletcher, the chief executive officer, said the sale was aimed at lowering Fletcher Challenge's ratio of debt to total capitalization to below 50 percent by December 1993. The ratio, which stood at 59.1 percent at June 30, will come down by 2.4 percentage points as a result of the sale.

The company said it had achieved a "good" price, "higher than the net present value of the Bank under our continued ownership."

National Bank of New Zealand has a "commitment to the future development of farming in New Zealand," Mr. Fletcher said.

Rural Bank's managing director, David Airey, has resigned from the bank and from Fletcher Challenge.

Under the terms of the sale, all other employees will be retained.

About 380 million dollars of the sale proceeds will be received on Dec. 18 and the balance early in February. (Bloomberg, AFX)

NEC Forecasts a Losing Year

TOKYO — Battered by a slump in Japan's computer market, NEC Corp. predicted Friday that it would post a group net loss of 9 billion yen (\$72.7 million) for the year ending March 31, its first loss since 1974 when Japan's economy was reeling from the first oil shock.

NEC said net profit for the first half, ended Sept. 30, plummeted 77.3 percent to 4.25 billion yen, while pretax profit was down 83.9 percent at 8.26 billion yen.

Although the company forecast a loss for the full year, it said it expected to return to profit in 1993-94. NEC posted a group net profit of 15.28 billion yen last year.

The company has been hit badly by the downturn in corporate capital spending in Japan's recession, which has eaten into its computer and telecommunications businesses.

An NEC spokesman said another reason for the loss forecast was heavy depreciation costs. The company has been restructuring its U.S. home-electronics subsidiary, which makes facsimiles, personal

computers and video-game machines, he said, and also is spending heavily on new chip facilities, both in Japan and the United States.

But analysts said the real problem was a simple fall in sales, which were off 7.1 percent in the half at 1.69 trillion yen and were expected

The capital spending slump hit NEC's computer business.

to be flat for the full year at 3.78 trillion yen.

"To say depreciation was too high is a backward way of saying sales were too low," said Steven Myers of Jardine Fleming Securities.

NEC claimed over 30 percent of Japan's PC market and actually gained share in the last year, but overall shipments have fallen.

It now faces the prospect of heavy competition from U.S. PC makers such as International Business

Machines Corp. and Compaq Computer Corp., which recently announced a cut-price attack on the Japanese market.

NEC's computer sales, which make up half of group revenue, fell 6 percent in the first half.

Most of Japan's electronics industry has been hammered by the economic downturn. NEC announced a 71 percent slide in first-half pretax profit at the parent level last month on the same day that Fujitsu Ltd., Japan's No. 1 computer company and the world's No. 2, recorded its first-ever loss of 19.2 billion yen.

Toshiba Corp. and Hitachi Ltd. on Thursday reported first-half pretax profit declines of 41 percent and 52 percent, respectively.

Also on Friday, Japan Business Computer Co., a seller of IBM computers and software, reported a pretax loss of 1.81 billion yen in the first half, worse than its forecast of a loss of 1.6 billion and its loss of 225 million yen in the same period last year.

(Reuters, AFP, Bloomberg)

Investor's Asia

Hong Kong Hang Seng	Singapore Straits Times	Tokyo Nikkei 225
7000	1600	20000
6500	1500	18125
6000	1400	16250
5500	1300	14375
3000	1200	12500

Exchange	Index	Friday Close	Prev. Close	% Change
Hong Kong	Hang Seng	5,986.57	5,913.18	+1.24
Singapore	Straits Times	1,447.96	1,436.99	+0.76
Sydney	All Ordinaries	1,450.80	1,450.90	-0.01
Tokyo	Nikkei 225	17,470.61	17,479.04	-0.05
Kuala Lumpur	Composite	640.48	638.79	+0.26
Bangkok	SET	869.49	858.24	+1.31
Seoul	Composite Stock	650.85	660.94	-1.53
Taipei	Weighted Price	3,681.94	3,676.56	+0.15
Manila	Composite	1,263.58	1,263.69	-0.01
Jakarta	Stock Index	284.56	286.08	-0.50
New Zealand	NZSE-40	1,545.27	1,525.20	+1.32
Bombay	National Index	1,144.10	1,153.50	-0.81

Sources: Reuters, AFP. International Herald Tribune

Fall in Profit Takes Shine Off IBJ

TOKYO — The Japanese earnings reporting season ended Friday with a 49 percent drop in the profit of what many consider to be Japan's most prestigious company: Industrial Bank of Japan Ltd.

A major shareholder in more than 600 companies, IBJ's profit decline illustrates the economy's hard times.

Long-Term Credit Bank of Japan Ltd. and Nippon Credit Bank Ltd., which together with IBJ make up Japan's three banks that specialize in long-term lending, also recorded major declines in pretax profits for the six months that ended Sept. 30.

Long-Term Credit's pretax profit declined 58 percent year-on-year to 23 billion yen (\$185 million), while Nippon Credit's dropped 43 percent to 22.5 billion yen. IBJ's profit fell to 35.5 billion yen.

Takao Sekihara, deputy general manager of corporate planning, said IBJ was doing all it could to get rid of high-risk investments. "We've done a great deal of restructuring in the first half and we plan to continue such restructuring in the second half," he said.

Japan's banking industry is suffering from a flood of bad debt as clients stop servicing loans in the wake of the collapse in stock and property values.

But unlike many other Japanese banks, the long-term lenders have only a limited ability to benefit from the five reductions over the past 17 months in Japan's discount rate, which has dropped from a peak of 6 percent in July 1991 to its current level of 3.25 percent.

The long-term lenders raise money by selling unsecured corporate bonds, called bank debentures, which have maturities of one to five years. Thus, their cost of funds takes years to follow market rates lower.

Very briefly:

- Japanese industrial production fell 2.6 percent in October from September and was down 6.0 percent from a year ago, the Ministry of International Trade and Industry said; MITI predicted output would "move in a sluggish trend because inventory adjustment is still necessary."
- Japan's eight major life insurers showed an average 9.3 percent growth in assets in the six months to Sept. 30 after most slashed stock holdings, both domestic and foreign, company officials said.
- James D.M. Oung, a Taiwan stock trader sentenced to three-and-a-half years in prison for breach of trust in a \$22 million scandal, announced his candidacy in legislative elections set for Dec. 19; Mr. Oung pledged to try to improve government understanding of the stock markets.
- Standard Chartered Bank said it had filed 24 cases against Citibank and four Indian banks to recover 6.5 billion rupees (\$230 million) it claims to have lost in India's financial scandal.

EC Fails to Budge Seoul on Opening of Rice Market

SEOUL — The European Community's envoy to Seoul said Friday that South Korea's refusal to liberalize its rice market could pose a major obstacle to settling the Uruguay Round of world trade negotiations.

Agriculture Minister Kang Hyon Wook reiterated that Seoul would not bow to efforts to open the rice market and would rather compromise in other areas. South Korean officials met later in the day to discuss the latest deadline on agricultural market openings in talks taking place under the auspices of the General Agreement on Tariffs and Trade.

Gilles Anouil, the head of the EC delega-

tion, said, "South Korea could pose an obstacle in the closing stage of the Uruguay Round if it continues its negative attitude to the opening of its market to foreign rice."

Arthur Dunkel, the director-general of GATT, is seeking a political agreement by Christmas on the trade accord with details to be wrapped up next year.

Major sticking points to the agreement have been agricultural subsidies in Europe and East Asian resistance to liberalizing rice markets.

"There is no change in our position that we will not open our rice market," Mr. Kang said. "We will maintain opposition to even the minimum market access as far as rice is concerned."

In South Korea, like Japan, rice is an emotional issue, although the country produces more of the grain than it can consume.

In Tokyo, Agriculture Minister Masami Tanabu said Japan would resist opening its rice market but that he was ready to discuss the issue with trading partners.

In a meeting, cabinet members reaffirmed their stance to exclude rice from a proposal by Mr. Dunkel that GATT members replace nontariff trade barriers with tariffs.

"It is important that we make other countries understand our demand," said Kozo Watanabe, the international trade and industry minister. (Reuters, AFX)

Japan Investigates Alloy Dumping

TOKYO — Japan, frequently accused of dumping steel abroad, has turned the tables by launching an investigation of its own of alleged dumping in Japan by foreign companies of a metal alloy used in steel production.

The Finance Ministry and Ministry of International Trade and Industry are looking into allegations that Chinese, Norwegian and South African companies are dumping ferroalloy manganese, according to a Finance Ministry official, who declined to be named.

The study is expected to be released by the end of January, the official said. This is the first time Japan has launched an investigation into ferroalloy dumping, he said.

The dumping allegation was made in October by the Japan Ferroalloy Association, the official said.

An official of the association said companies in the three countries were selling the material at prices 54.8 to 76.1 percent lower in Japan than in their domestic markets.

NYSE

Friday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press (Continued)

12 Month High	Low	Stock	Div	Yld PE	52	High	Low	Latest Chg
120	110	AA	1.00	10	10	120	110	115
120	110	AB	1.00	10	10	120	110	115
120	110	AC	1.00	10	10	120	110	115
120	110	AD	1.00	10	10	120	110	115
120	110	AE	1.00	10	10	120	110	115
120	110	AF	1.00	10	10	120	110	115
120	110	AG	1.00	10	10	120	110	115
120	110	AH	1.00	10	10	120	110	115
120	110	AI	1.00	10	10	120	110	115
120	110	AJ	1.00	10	10	120	110	115
120	110	AK	1.00	10	10	120	110	115
120	110	AL	1.00	10	10	120	110	115
120	110	AM	1.00	10	10	120	110	115
120	110	AN	1.00	10	10	120	110	115
120	110	AO	1.00	10	10	120	110	115
120	110	AP	1.00	10	10	120	110	115
120	110	AQ	1.00	10	10	120	110	115
120	110	AR	1.00	10	10	120	110	115
120	110	AS	1.00	10	10	120	110	115
120	110	AT	1.00	10	10	120	110	115
120	110	AU	1.00	10	10	120	110	115
120	110	AV	1.00	10	10	120	110	115
120	110	AW	1.00	10	10	120	110	115
120	110	AX	1.00	10	10	120	110	115
120	110	AY	1.00	10	10	120	110	115
120	110	AZ	1.00	10	10	120	110	115
120	110	BA	1.00	10	10	120	110	115
120	110	BB	1.00	10	10	120	110	115
120	110	BC	1.00	10	10	120	110	115
120	110	BD	1.00	10	10	120	110	115
120	110	BE	1.00	10	10	120	110	115
120	110	BF	1.00	10	10	120	110	115
120	110	BG	1.00	10	10	120	110	115
120	110	BH	1.00	10	10	120	110	115
120	110	BI	1.00	10	10	120	110	115
120	110	BJ	1.00	10	10	120	110	115
120	110	BK	1.00	10	10	120	110	115
120	110	BL	1.00	10	10	120	110	115
120	110	BM	1.00	10	10	120	110	115
120	110	BN	1.00	10	10	120	110	115
120	110	BO	1.00	10	10	120	110	115
120	110	BP	1.00	10	10	120	110	115
120	110	BQ	1.00	10	10	120	110	115
120	110	BR	1.00	10	10	120	110	115
120	110	BS	1.00	10	10	120	110	115
120	110	BT	1.00	10	10	120	110	115
120	110	BU	1.00	10	10	120	110	115
120	110	BV	1.00	10	10	120	110	115
120	110	BW	1.00	10	10	120	110	115
120	110	BX	1.00	10	10	120	110	115
120	110	BY	1.00	10	10	120	110	115
120	110	BZ	1.00	10	10	120	110	115
120	110	CA	1.00	10	10	120	110	115
120	110	CB	1.00	10	10	120	110	115
120	110	CC	1.00	10	10	120	110	115
120	110	CD	1.00	10	10	120	110	115
120	110	CE	1.00	10	10	120	110	115
120	110	CF	1.00	10	10	120	110	115
120	110	CG	1.00	10	10	120	110	115
120	110	CH	1.00	10	10	120	110	115
120	110	CI	1.00	10	10	120	110	115
120	110	CJ	1.00	10	10	120	110	115
120	110	CK	1.00	10	10	120	110	115
120	110	CL	1.00	10	10	120	110	115
120	110	CM	1.00	10	10	120	110	115
120	110	CN	1.00	10	10	120	110	115
120	110	CO	1.00	10	10	120	110	115
120	110	CP	1.00	10	10	120	110	115
120	110	CQ	1.00	10	10	120	110	115
120	110	CR	1.00	10	10	120	110	115
120	110	CS	1.00	10	10	120	110	115
120	110	CT	1.00	10	10	120	110	115
120	110	CU	1.00	10	10	120	110	115
120	110	CV	1.00	10	10	120	110	115
120	110	CW	1.00	10	10	120	110	115
120	110	CX	1.00	10	10	120	110	115
120	110	CY	1.00	10	10	120	110	115
120	110	CZ	1.00	10	10	120	110	115
120	110	DA	1.00	10	10	120	110	115
120	110	DB	1.00	10	10	120	110	115
120	110	DC	1.00	10	10	120	110	115
120	110	DD	1.00	10	10	120	110	115
120	110	DE	1.00	10	10	120	110	115
120	110	DF	1.00	10	10	120	110	115
120	110	DG	1.00	10	10	120	110	115
120	110	DH	1.00	10	10	120	110	115
120	110	DI	1.00	10	10	120	110	115
120	110	DJ	1.00	10	10	120	110	115
120	110	DK	1.00	10	10	120	110	115
120	110	DL	1.00	10	10	120	110	115
120	110	DM	1.00	10	10	120	110	115
120	110	DN	1.					

MONDAY

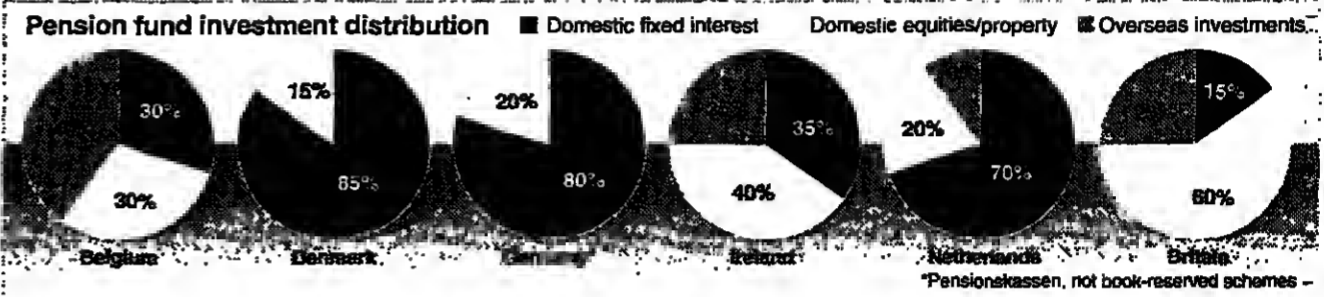
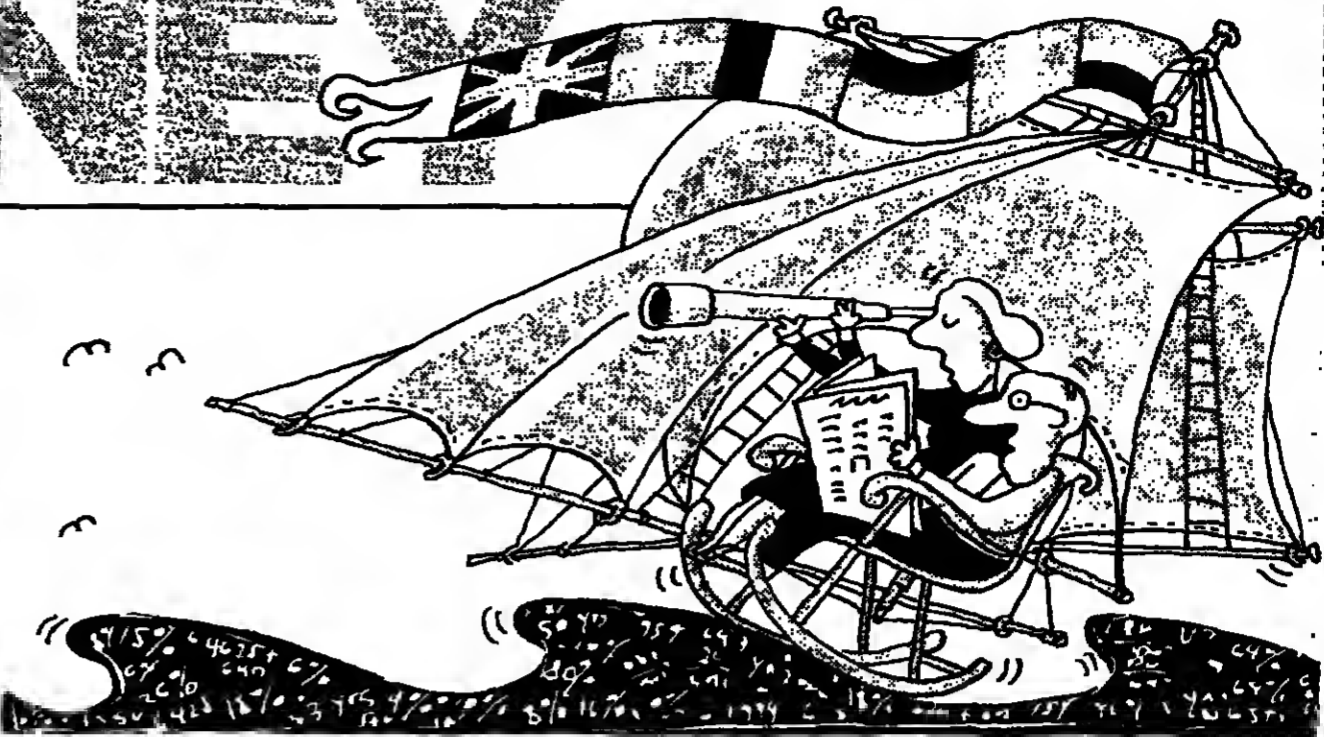
FIRST COLUMN Bitter Logic Of Multiple Devaluations

THE hunting season on European currencies threatens to get bloodier still if speculators, not content with having blasted away the pound and the lira and winged the peseta and escudo, try to take another shot at the biggest game, the French franc.

Maxwell Case Scares Pension Reformers

MORE THAN a year after Robert Maxwell's death, the publishing tycoon's most notorious crime, pillaging his companies' pension funds, continues to alarm European legislators as they confront the financial problems posed by an aging population.

thought to be a system of funded company pensions. These have existed in Britain for decades, but they received a huge boost in the late 1980s when Prime Minister Margaret Thatcher's government started offering tax incentives to employees to opt out of SERPS, the state pension program, and into private-sector-funded plans.



low rate of company failures in Germany. The whole basis for the German system is confidence in the health of the companies," said Paul Morris, an actuary with Wyatt & Co. in London.

BRIEFCASE

Vanguard Group Launches 2 Portfolios of Index Funds. One figure that never seems to go down in the investment world is the number of index funds. Vanguard Group has launched two new ones, the Value Portfolio and Growth Portfolio.

Fund Rankings: Do They Help Pick Winners?

WHEN fund buyers pore over yesterday's rankings in their quest for tomorrow's winners, should they use the every-day has-it-due theory of investing and buy a weak performer in the hope that it's "due"?

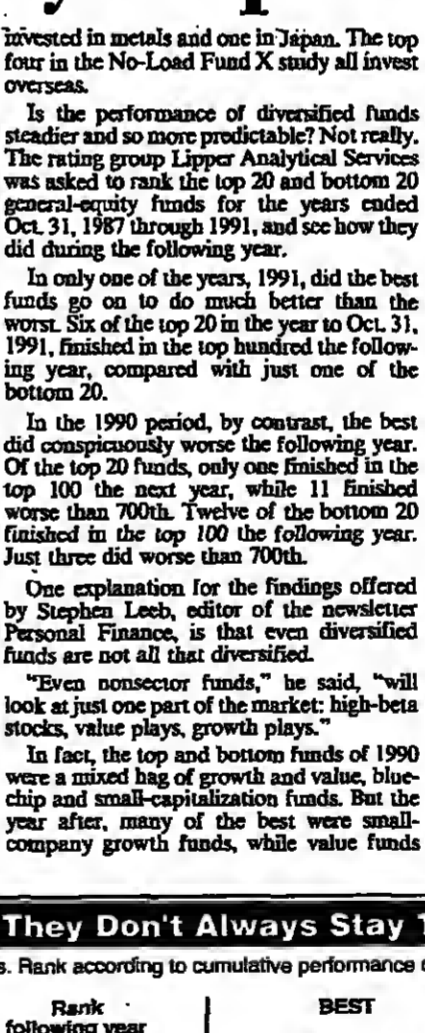
Chicago Options Exchange To List More Foreign ADRs

The Chicago Board Options Exchange said it planned to list options on the American depositary receipts of 20 foreign companies, with 15 of them due to begin trading in the coming week.

GM Stock: An Underachiever Since 1978 Against S&P 500

"What's good for General Motors is good for the country," went a thunderous declaration of a generation ago. Some analysts who remember those days, when General Motors was a bellwether for the rest of the American stock market, have made much of the fact that the industrial giant has fallen on hard times, along with its share price.

No Longer Bellwethers



The Best and the Worst: They Don't Always Stay That Way

Table with columns for BEST and WORST performing general equity funds, ranked by cumulative performance over one year. Includes fund names and ranks for Oct. 31, 1990 and Oct. 31, 1991.

TUESDAY EDUCATION DIRECTORY WEDNESDAY BUSINESS MESSAGE CENTER THURSDAY INTERNATIONAL RECRUITMENT FRIDAY REAL ESTATE MARKETPLACE HOLIDAYS & TRAVEL SATURDAY ARTS & ANTIQUES

READ IHT CLASSIFIEDS FOR ALL YOUR SERVICE NEEDS. Includes logo for Herald Tribune and text: Republics Allow Formation of Private Armies

THE MONEY REPORT

Wheeling and Dealing in Classic Bicycle Trade

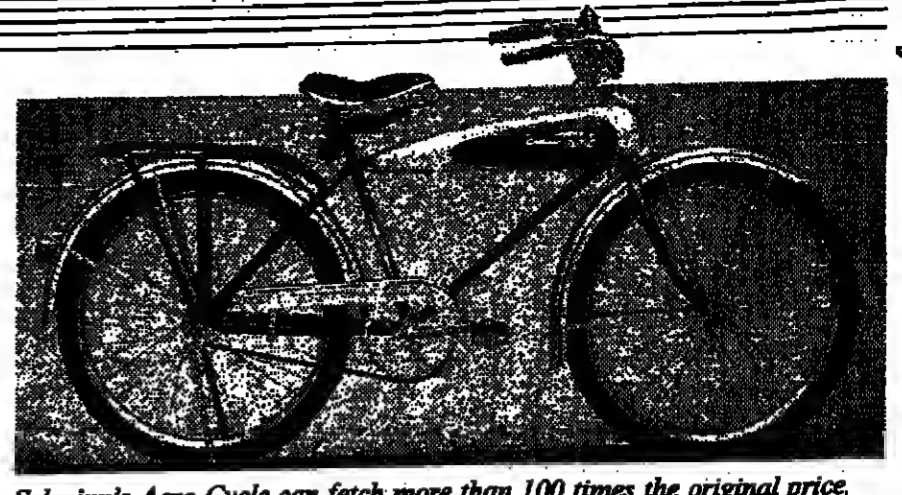
By Paul Getner

NEVER underestimate the power of nostalgia, especially when it comes to collectibles. The same generation that still goes wild over Marilyn Monroe memorabilia and pushed baseball card prices into the major leagues has found a new way to relive childhood memories: classic bicycles.

held the first bicycle-only auction last spring. "If you know what you're doing, you can make money." Much of the trading is done privately, through club newsletters, swap meets, bike shops and antique dealers. Mr. Fallon's auction attracted bidders from across the country, Canada and Japan; another is planned for next April.

Sotheby's in London. "It's a powerful market." The 1890s is considered the heyday of the bicycle among traditional collectors. About 300 manufacturers supplied the masses with pneumatic-tired transportation. There are few bikes from that era lying around unrecognized anymore, and the best models generally trade for more than \$10,000. "It's quite a tough market to buy into," Mr. Wilson said.

and locomotives of the day. Sears marketed its 1937 Elgin Skylark, with tear-drop shaped pedals and spider-web rear fender, as "the prettiest thing on wheels." Today, the most famous, like the Schwinn Aero Cycle, the Sears Elgin Bluebird and the Shelby Airflo, fetch up to \$10,000, more than 100 times the original sale price.



Schwinn's Aero Cycle can fetch more than 100 times the original price.

"Their dads wouldn't buy them for them when they were 12 years old," says James L. Hurd, curator of the Schwinn History Center in Chicago. "Now they don't have to ask their dads."

"I get buyers worldwide," says Toby Wilson, who handles antique bicycle sales for

More than 38 million balloon-tire bicycles were made over the next 30 years. And new styles incorporated streamlining and Art Deco designs to mirror the airplanes

These bikes also were made to last, meaning a lot of them probably are still lying around in garages, barns and basements. "We didn't design things then to throw it away," Mr. Hurd says. "People that paid good money for something kept it."

at a garage sale, then traded it to a bike shop owner for a brand new bicycle. "These things are still findable and affordable," he says. "It's still a buyer's market." Mr. Fallon agrees, although he believes most sellers are not totally naive. "They might not know what they're worth, but they know what they are," he says.

selling and trading opportunities within the hobby," they write. But most collectors say the true value is the entertainment value. Pryor Dodge, 43, of New York began his collection in 1971 with a \$600 high-wheeler. Today, his collection, which expanded to bicycle posters during the 11 years he lived in Paris, is so big he loans it out for exhibitions. "Bikes meant a lot to me as a kid," he says. "My joy at this point is having other people enjoy the collection."

While much of the appeal is emotional, the classic bicycle market has taken off enough to attract serious investors.

"If you don't know what you're doing, the numbers will knock you over," says Michael Fallon, a Copake, New York, dealer who

Mr. Hurd says his regulars get reports of collectors who pick up classic bikes from unsuspecting owners at bargain prices, like the guy who bought an Aero Cycle for \$2.50

There is good investment potential in many of the bicycles, and there are lucrative

There is good investment potential in many of the bicycles, and there are lucrative

There is good investment potential in many of the bicycles, and there are lucrative

INTERNATIONAL FUNDS

Table listing various international funds with columns for fund name, currency, and price. Includes sections for International Funds, Other Funds, and a list of fund names.

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THE MONEY REPORT

Emerging Market Funds



Source: Microcap

World Market Performances Over the Week



Source: Microcap

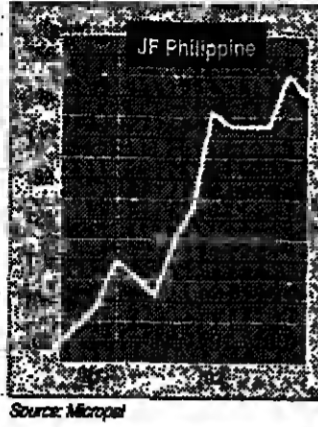
World Market Performances Over the Week

Table listing Top Ten Stock Markets, Bottom Ten Stock Markets, Top Ten Stocks, and Bottom Ten Stocks with their respective percentage changes.

Making a Bet on Growth Risk and Return in the Emerging Markets

By Philip Crawford

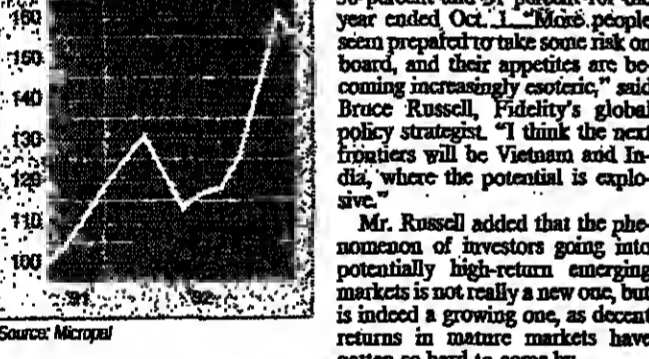
WHILE the world's most developed economies — the United States, Western Europe and Japan — have sluggishly along, more and more investors are beginning to think in slightly more exotic, albeit riskier terms in searching for a decent return, say analysts.



Source: Microcap

with more aggressive investors. "Until several years ago, a lot of governments around the world wouldn't adopt policies that welcomed foreign investment or trade," he said.

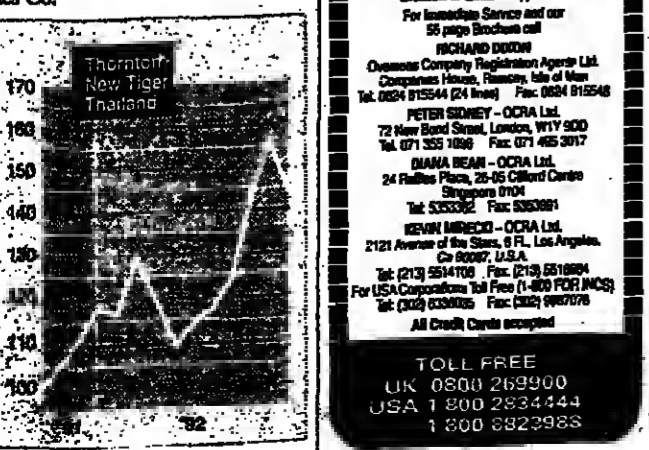
Why put your money in an economy whose gross domestic product is growing at just a trickle, goes a popular view, when output in emerging markets such as Thailand, Malaysia, China and some Latin American countries indicates real growth, above inflation, of between 7 and 10 percent per year? It is a point that investors who are willing to accept a higher degree of volatility are apparently taking to heart.



Source: Microcap

It's almost become a case of the emerging markets versus the submerging ones, said Richard Timberlake, a London-based investment consultant. "Emerging markets contain 80 percent of the world's population, but produce only 13 percent of the global domestic product and have just 5 percent of the world's stock market capital. The potential is enormous, and more investors are beginning to see that. If you're looking for growth in equities, you should be looking at growth economies."

Most analysts say that emerging markets funds, be they global, regional or concentrated in a single country, are the best way for investors to enter the sector, as opposed to dealing in individual stocks where execution and settlement procedures can prove laborious.



Source: Microcap

Madrid Exchange Seeks Sunnier Skies After Peseta Storm

THE 6 percent devaluation of the peseta last weekend, coming after a similar move in September, left the Madrid stock market none the worse off. After falling about a percentage point the first two days this week, the Ibx 35 index bounced back to close Friday at 2,364.21, up 1.8 percent on the week.

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GO LONG IN BONDS

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- List of bond funds including Global Bond Fund, Global High Income Bond Fund, European Bond Fund, etc.

- List of bond funds including Int'l High Yield Bond Fund, European High Yield Bond Fund, US Dollar High Yield Bond Fund, etc.

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SPORTS FOOTBALL

49ers Defense Spells Do or Die for Eagles Saints Can Cramp Dolphins Offense

EAGLES (7-4) at 49ERS (9-2)
 Key stat: Eagles have allowed only one rushing touchdown this season; 49ers running back Ricky Waters has 965 rushing yards, averages 5.1 yards per carry and has nine rushing touchdowns. Comment: Huge game for the Eagles to regroup and gain the form they had in their first four games. The Eagles want badly to be considered on the same level with the 49ers and to make a statement about which is the team to beat in the playoffs. It is an unattainable feat unless the Eagles grow in sync on offense — and the 49ers' defense is too good to allow that to happen. Expect the Eagles' secondary, especially cornerback Izell Jenkins in one-on-one matchups, to have a horrible time covering receiver Jerry Rice. The 49ers are favored by 6½ points.

DOLPHINS (8-3) at SAINTS (8-3)
 Key stat: Dolphins kicker Pete Stoyanovich is 20-of-25 in field goals (a 53-yarder his longest this season) and leads the league in scoring with 89 points; Saints have allowed only nine rushing touchdowns. Comment: When the Miami coach, Don Stula, talks about his offense featuring



The Cowboys' Emmitt Smith cutting away from a diving Rayna Thompson during his 120-yard, two-touchdown game against the Giants.

Smith Powers Cowboys' 30-3 Blitz of Giants

By Mickey Spagnola
Washington Post Service
 IRVING, Texas — An official passing of the torch in the National Football Conference's East Division took place here, as the Dallas Cowboys further legitimized their drive toward the Super Bowl while the New York Giants fell to 5-7 and out of contention for a division title.

The Cowboys did so by first toying with, then crushing, the Giants 30-3, on Thursday night. They did so by sweeping the two-game series against the Giants for the first time since 1987. And they did so mostly because of their Pro Bowl running back, Emmitt Smith, who not only recorded his first 100-yard (about 91.5-meter) rushing performance against the Giants (120) but also the Cowboys' first 100-yard rushing performance against the Giants since Tony Dorsett did so in 1980. Most of all, the Cowboys (10-2) greedily grasped a two-and-a-half-

game lead over the Philadelphia Eagles and a three-and-a-half-game lead over the Redskins in the NFC East with 10 days off before having to begin a three-game road stretch Dec. 6 in Denver. The Cowboys can clinch at least a wild-card playoff spot this Sunday if Tampa Bay beats Green Bay or Phoenix, beats Washington.

In the first half, the Cowboys needed three field goals from rookie Lin Elliott (45, 33, 53 yards) to hold a 9-3 lead at halftime against a Giants team being led by rookie quarterback Kent Graham and playing without linebackers Lawrence Taylor and Steve DeOssie and punter Sean Landeta.

The Cowboys offense in the first two and a half quarters consisted of swarming running Smith into a swarming defense and dumping off-passes to Smith instead of forcing balls downfield into the double coverage surrounding Pro Bowl receiver Michael Irvin. The Giants basically made two defensive decisions: Blanket both receivers (Irvin and Alvin Harper) and play man coverage on tight end Jay Novacek. And play a wait-and-see scheme on the defensive line, refusing to over-commit on the shift to Smith.

The Cowboys remained patient, thanks to a defense that limited the Giants to 207 yards, and running back Rodney Hampton to just 33.

"When the defense plays like that, it's a lot easier to be patient," said the Cowboys quarterback, Troy Aikman. "If you get behind and teams take away the deep stuff, it's very hard for the quarterback to be patient."

But the Cowboys were not behind, thanks to the defense and Elliott extending his club record of consecutive field goals to 12, not to mention the career-long 53-yarder. They were not behind thanks to the Giants' Matt Bahr, who missed two field goals, and a fumble by wide receiver Ed McCaffrey.

Aikman had remained patient, throwing five dump passes to Smith for 15 yards. But on the sixth, from the Giants 26, Smith made Reyna Thompson miss, and when Irvin blocked Perry Williams, Smith gave the Cowboys a 16-3 lead with 6:07 left in the third quarter.

Nearly two minutes later, the Cowboys pulled a play out of the distant past, going away from their straight-ahead blocking scheme and asking guard John Gesek to trap block. Cowboys defensive coordinator Mory Turner said he needed to exploit the Giants' defensive linemen waiting at the line of scrimmage for Smith rather than penetrating.

Block Gesek did, clearing out defensive end Eric Dorsey. Right tackle Eric Williams took out linebacker Carl Banks. And tight end Alfredo Roberts cleared linebackers Pepper Johnson.

No one touched Smith for 68 yards, giving the Cowboys a 23-3 lead with 3:53 remaining in the third quarter.

NFL MATCHUPS

firepower, he isn't kidding. On any offensive possession, the Dolphins can feature as many as six Pro Bowl players. But Stula will look across the line at the New Orleans defense and see as many explosive players. The Saints defense rallies well to the ball and will keep the Dolphins offense in check when it matters most. Saints by 4.

CHIEFS (7-4) at JETS (3-8)
 Key stat: Chiefs have won three straight and have allowed five of their last six opponents 17 or fewer points; Jets gained only 166 total yards from scrimmage in loss to New England. Comment: The Jets get an up-close look at a franchise that has been down, hired Coach Marty Schottenheimer, built slowly through the draft and put the pieces together with a mental toughness that now places the team on the precipice of possibly something great. This was a similar formula the Jets tried to follow but things have gone awry, especially with rookie quarterback Browning Nagle suffering more growing pains than expected. It's another all-around education for the Jets. Chiefs by 6.

BEARS (4-7) at BROWNS (5-6)
 Key stat: Bears have 83 more passing yards and 59 more rushing yards than their opponents, but seven fewer touchdowns; Browns' Eric Metcalfe's long punt return in 27 chances is 21 yards. Comment: Chicago — finishing from three straight home losses and four straight losses overall — finishes the season this way: at Cleveland, at Houston, home against Pittsburgh, at Detroit, at Dallas. Chicago could easily finish 4-12. Cleveland will pounce all over this team. Browns by 3½.

PATRIOTS (2-9) at FALCONS (4-7)
 Key stat: Patriots, after averaging 11 points a game in their first nine games, have scored 61 in their last two; Falcons in loss to Buffalo allowed 7.2 rushing yards per carry. Comment: Losing quarterback Chris Miller to injury ruined any playoff hopes for Atlanta. Billy Joe Tolliver is a capable backup, but has shown signs of rust that won't go away in one season, and the Falcons' defense has slipped miserably. Atlanta feels it has made too many strides in the last two years to lose to the Patriots in the Georgia Dome, where the Falcons have won four of six. Falcons by 5½.

CARDINALS (3-8) at REDSKINS (6-5)
 Key stat: Cardinals, despite 17-0 deficit, won 27-24 over Washington in Week 5; no Redskins receiver ranks among NFC's top 10 in catches. Comment: Washington has scored one or fewer touchdowns in each of its last six games. Its once potent offense has been victimized by injuries to the offensive line and quarterback Mark Rypien's spotty play. Phoenix enters confidently, but this should be a breakout game for Washington and its offense as the team keeps its playoff chances in order. Redskins by 8.

STEELERS (8-3) at BENGALS (4-7)
 Key stat: Steelers are 7-1 on artificial turf; Bengals' David Klingler makes his first pro start. Comment: It was only a matter of time before the Bengals replaced Boomer Esiason with Klingler, 25, 7p, 1 pick from Houston in the 1992 draft. Klingler isn't a slick runner, but he'll be learning on the run against one of the league's best run-the-ball defenses. Cincinnati will have its hands full with running back Barry Foster and with a defense that has a league-most 33 takeaways. Steelers by 7½.

BUCCANEERS (4-7) at PACKERS (5-6)
 Key stat: Buccaneers have lost six of their last seven games; Packers have won three of their last four. Comment: In Week 2, Vinny Testaverde hit 22-of-25 passes for 363 yards as Tampa Bay rolled past Green Bay, 31-3. Few expect a repeat performance. Tampa Bay has steadily declined, while the Packers have steadily improved. Packers by 3½.

BILLS (9-2) at COLTS (4-7)
 Key stat: The Bills outruled Atlanta last Sunday, 315 yards to 46; Colts were outruled in loss to Steelers, 253 yards to 71. Comment: Buffalo smashed the Colts, 38-0, in Week 3 and look for more against a team in a customary position in the midst of its November fade. At this point in the season where teams begin sprinting toward the playoffs, the Colts are usually nothing more than fodder for those teams to gain in playoff home-field advantage. Don't expect a change and keep an eye on Bruce Smith, who has 15 career sacks against the Colts. Bills by 16½.

VIKINGS (8-3) at RAMS (4-7)
 Key stat: Vikings quarterback Ramsey Gannon is only 14-of-40 for 137 passing yards in his last two games; Rams running back Cleveland Gary needs 57 rushing yards for 1,000. Comment: The last two Vikings opponents, Houston and Cleveland, tried a special concept against Gannon. Both teams tried to take away early big moves for Vikings scores that allowed Gannon to relax and protect leads, and both put heavy pressure on him from the start. The theory was to make Gannon beat you instead of the Vikings' defense. It worked for Houston and Cleveland came close, with Gannon being benched after a 13-0 Vikings deficit and 5-for-12, 26-yard passing start. Here is a game where Gannon responds to the added pressure. Vikings by 2½.

RAIDERS (5-6) at CHARGERS (6-5)
 Key stat: Raiders have won three of last four in San Diego; Chargers are over 500 for the first time in a consecutive year since 1986. Comment: The Raiders feel good about their 24-0 shutout of Denver in a game where John Elway did not play, and now tackle the improved Chargers and their surging defense. No team has scored more than 21 points against the Chargers in their last seven games, and five scored 14 or fewer. San Diego remains in the playoff scramble with these games left: at Phoenix, home against Cincinnati, at Raiders, at Seattle. Chargers by 3½.

BRONCOS (7-4) at SEAHAWKS (1-10)
 Key stat: Broncos are 1-4 in road games; Seahawks running back Chris Warren rushed for 154 against Chiefs. Comment: Seattle has been outscored, 218 to 73. Their 14 points in their loss to the Chiefs marked only the second time this season that Seattle scored 14 or more, and came on the heels of four of five games in which Seattle scored three or fewer points. Denver must win to keep pace with the Chiefs in the AFC West and it does. Broncos by 5½.

These NFL matchups were written by Thomas George of The New York Times. Odds were provided by Harrah's of Las Vegas.

Nordiques Stop Leafs And Cullen

Owen Nolan ruined John Cullen's coming-out party with the Toronto Maple Leafs. Just over two minutes after Cullen finished keying a three-

NHL HIGHLIGHTS

goal, third-period spurt, Nolan scored his second goal and then added the winner in overtime as the Quebec Nordiques beat the Maple Leafs, 5-4, on Thursday in Toronto.

Toronto acquired Cullen from Hartford for his offensive punch and he almost scored a TKO in his debut wearing the same sweater number (19) that his father wore as a Maple Leaf in the 1950s. Cullen scored twice and assisted on another goal.

Blues 7, Canucks 5: In St. Louis, Missouri, Kevin Miller scored twice and Craig Janney added a goal and three assists as the Blues erupted for five goals in the third period to beat Vancouver.

Janney scored with 4:44 remaining to make the score 6-4 in a wild finish that featured eight goals in the final period. The Canucks came from behind twice in the third period, tying the score at 4, then Ron Sutter scored on a rebound from the slot that sailed over the shoulder of goaltender Kirk McLean.

The snuffed Vancouver's three-game winning streak.

Texas A&M Does the Job Against Texas

AUSTIN, Texas — The No. 4 Texas A&M Aggies have done their job. Now they are hoping that Miami, Alabama or Florida State don't do theirs.

The Aggies capped their undefeated season Thursday night by beating the archrival Texas Longhorns, 34-13, but need losses by two of the three teams ahead of them in the poll for a shot at the national college football championship.

Those battles are not a pleasant topic of conversation for the Aggies, who have the nation's best record at 12-0.

"We deserve to play for the national championship, point blank," said the Aggies' running back Greg Hill. "We have nothing else to prove. If we aren't playing for the national championship on New Year's Day, then something is wrong."

Right or wrong, the Aggies need either No. 1 Miami or No. 2 Alabama — the nation's only other unbeaten, untied teams — to stumble for a shot at the national title.

Top-ranked Miami, which plays San Diego State on Saturday, would play the next highest-ranked team for the national championship. That would be No. 2 Alabama, unless it loses the Southeastern Conference championship game on Dec. 5.

Since No. 3 Florida State also is ahead of the Aggies, the Seminoles also have next dibs at the Hurricanes. A&M, the Southwest Conference champions, will be the host team of the Cotton Bowl for the second consecutive year.

Hill was one of several offensive stars in the Aggies' 21st straight regular-season victory as they pounded Texas with a relentless ground game and the improved



Aaron Glenn of Texas A&M snared Texas's Mike Adams, who failed to snare a Peter Gardere pass.

passing of freshman quarterback Corey Pullig.

Rodney Thomas rushed for three touchdowns and Hill gained 100 yards on 23 carries, his eighth 100-yard performance of the season. Pullig completed 10 of 21 passes for 193 yards, fueling several scoring drives with his passes.

The Aggies have won eight of the last nine games against the Longhorns, but trail 64-30-5 in the series. A&M wrapped up its second straight SWC title last weekend.

Texas (6-5, 4-3) ended its first season under coach John Mackovic, the school's 100th playing football. The Longhorns needed a vic-

tory over A&M for a berth in the Hancock Bowl on New Year's Eve.

Scott Szerezy kicked a 52-yard field goal to start the scoring for Texas in the first quarter, but the Aggies erupted for 17 points in the second on two 6-yard scoring runs by Thomas and a 42-yard field goal by Terry Venetoulas.

U.S. Soccer Invites the Best to a World Cup Dress Rehearsal

By Filip Bondy

NEW YORK — When soccer officials soon announce the schedule for the ambitious U.S. Cup tournament in June, they will be unveiling a unique dress rehearsal for the World Cup, which will be coming to the United States in 1994.

To test security, the national teams of England and Germany, with their sometimes troublesome supporters, have been invited. To test the concept of indoor soccer, the Pontiac Silverdome has been selected as a host site for one match.

To test the readiness of the struggling U.S. national team, three of the best opponents in the world, including Brazil, have been selected. To emphasize the importance of the competition, the participation of the United States in the prestigious South American championship in Ecuador, one week after the U.S. Cup ends, has been downgraded to a second priority —

with the blessing of FIFA, soccer's governing body.

"The eyes of the world will be on us for the U.S. Cup," said Hans Steinbrecher, executive director of the U.S. Soccer Federation. "This is our chance at a home run."

The four-team, round-robin tournament will be held at six sites, four of which will also be 1994 World Cup sites: the Silverdome, Soldier Field in Chicago, RFK Stadium in Washington and Foxboro Stadium near Boston. Giants Stadium will be a site for the World Cup, but for the 1995 event, the Yale Bowl in New Haven will be used as a grassy substitute. Officials have been searching for a sixth, smaller stadium for one midweek afternoon match.

Brazil, England and Germany have won a total of nine World Cups, and are matched in international soccer stature only by Italy, which played last year in the inaugural U.S. Cup. The Americans were

surprise winners, but have since had far less satisfactory results in international play.

"Our national team has passed from childhood," Steinbrecher said. "We're an adolescent. At times, we can stand with adults. At other times, we can slip back."

One reason for the Americans' disappointing 6-14-5 record this year is their continuing lack of depth. Top players are now good enough to participate in Europe, while several others have suffered injuries. Bora Milutinovic, the U.S. coach, has often been forced to field obviously inferior teams.

"I am just glad to have the chance to play these matches," Milutinovic said. "It is better to have these problems now than in 1994."

There has been great progress from American players overseas. Eric Wynalda, the 23-year-old striker playing for Saar-

brücken, is the second-leading scorer in Germany's top division, the Bundesliga, and has an enormous following throughout Europe. Paul Dooley is a starting defender for Kaiserslautern in the Bundesliga.

In England, midfielder John Harkes has started 14 matches for Sheffield on Wednesday. Goalkeeper Kasey Keller has yielded just 15 goals in 20 matches for Millwall, in England's second division. Roy Wegerle, a striker, has 3 goals in 10 matches for Blackburn.

Tab Ramos, a midfielder, has had a disappointing season for Betis, in Spain's second division. Hugo Perez, another attacker, had a game-winning assist last week in his second match for Ithaca of Saudi Arabia.

U.S. officials have the legal right to recall players from their professional teams for seven national matches each year. They

will field all of these players for the U.S. Cup, but will use younger, untested players a week later in Copa America, the South American championship.

Copa America is considered the third-most prestigious tournament in the world, behind the World Cup and the European championship. The special invitation to the United States to participate in the tournament was considered an honor. But because the United States is playing best to its own tournament, and then playing in its own regional championship, the Gold Cup, in the Confederation of North and Central American and Caribbean Football, FIFA is unconcerned about any perceived slight.

"It is better to be outplayed in South America than on your home turf," said Guido Tognoni, the assistant to the general counsel for FIFA. "This is what we want. A quasi-rehearsal for indoor soccer in Detroit and a promotion of the World Cup."

Toon to Retire From NFL Jets

NEW YORK — Al Toon, troubled for almost three weeks by post-concussion syndrome, was to announce his retirement from pro football on Friday, ending an eight-year career in which he became the second-leading passer-catcher in New York Jets history.

The retirement announcement was to come while Toon, 29, is attempting to recover from a concussion sustained in a game in Denver on Nov. 8. Toon, who caught at least one pass in the last 101 games he played, has missed the Jets' last two games with effects of the concussion.

With 517 career receptions, Toon ranks second to Don Maynard's 627 catches on the Jets. He accumulated 6,605 yards in eight seasons to rank third on the Jets' career list behind Maynard and Wesley Walker. Maynard, who played from 1960 to 1972 and is in the Pro Football Hall of Fame, had 11,732 yards. Walker, who played from 1977 to 1989, had 8,906.

SCOREBOARD

HOCKEY

NHL Standings

Wales Conference		Patrick Division	
W	L	Pts	GF/GA
Pittsburgh	11	9	24/28
N.Y. Rangers	11	9	24/28
New Jersey	11	9	24/28
Washington	9	7	20/24
Philadelphia	8	6	20/24
N.Y. Islanders	8	3	17/22

Adams Division

W	L	Pts	GF/GA
Montreal	14	9	28/36
Quebec	13	6	25/39
Boston	12	4	24/34
Buffalo	8	10	20/30
Hartford	5	15	11/24
Ottawa	2	20	7/29

Campbell Conference

W	L	Pts	GF/GA
Detroit	14	9	28/36
Minnesota	11	9	24/28
Toronto	10	9	23/27
Chicago	10	3	22/27
Tampa Bay	10	3	22/27
St. Louis	8	12	23/28

Stuyvesant Division

W	L	Pts	GF/GA
Los Angeles	13	4	28/36
Calgary	12	8	28/36
Vancouver	12	2	28/36
Edmonton	7	11	24/34
San Jose	6	14	21/27
Winnipeg	7	13	24/34
San Jose	6	14	21/27

THURSDAY'S RESULTS

Quebec	1	2	1-4
Toronto	0	3	0-4
Philadelphia	1	3	0-4

Rockey 143, Satic (19), Nolan (13) 31 KRU-

BASKETBALL

College Pressession

Orion 84, Detroit 71
New Mexico 51, 75, Tr-Chatanooga 45

FOOTBALL

Thursday's Games

Houston 24, Detroit 21
Dallas 28, New York Giants 3

SOCCER

UEFA Cup

Whitehouse 1, Real Madrid 1
Friendly International
Toronto 1, Mexico 1
Argentina 2, Poland 0

GOLF

Second Test

South Africa vs. India, Second Day
Friday, in Johannesburg
South Africa 1st Innings: 299
India 1st Innings: 124

TENNIS

South Australian Open

Schaefer Pariz, South Korea, def. Lortzen
Schoerer, Paraguay, 4-3, 4-4, 6-2, Michelle
Jeon, def. Lortzen, def. Emilio Chiantera,
Japan, 5-4, 7-5, Critic de Lane, United
States, def. Kerry-Anne Guse, Australia, 6-2, 4-
6, 6-2, Alexandre Ponce 111, France, def. Linda
Niemonts-verdier, Netherlands, 5-7, 6-3, 6-3.

TRANSACTIONS

Baseball

Seattle - Named Lee Ello bench coach.
San Francisco - Signed pitcher, Jim Campuzano.
and Chris Horvath, catcher, outright to Cal.
of PCL.

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TO OUR READERS IN BERLIN

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DAVE BARRY

Synergistic Sandwich

MIAMI — Today at the Institute of Military Food Concepts we present the results of our taste test of a new sandwich developed by U.S. Army food engineers for internal use by troops.

This sandwich was brought to our attention by retired Army Sergeant Major Willard Clark, who sent in a newspaper article reporting that the army is developing a new sandwich representing a breakthrough in the state-of-the-art technology for intermediate moisture foods.

CONNOISSEUR: Garçon, is the lipid stability of your fermented meats enhanced by a synergistic anti-oxidant system?

WATER: Vous êtes darned touting! ("But of course!")

So we called the Army Food Engineering Directorate and asked if we could have one of the new sandwiches for testing purposes.

Our Official Taste Test Panel consisted of our wife, Beth, our son, Robert, and our primary caregiver, Ernest.

Accompanying the package was an Information Paper from the army's Advanced Food Branch.

Our conclusion is that the new army sandwich definitely tastes better than the MRE. Of course, so does eating it.

Our MRE came in a mind-blowing plastic bag. Inside were a number of equally attractive packets, including one labeled "Beef Stew."

We opened this packet, and out popped our entrée. If the government wants to eliminate the budget deficit, all it has to do is relabel these MREs and market them to pre-adolescent children under the name "Big Brown Bag of Beef."

"How come it's so ORANGE?" asked Beth. She poked around in it a bit with a fork. "Look!" she said, at last, holding up what appeared to be a rodent organ. "I have something here that might be related to meat!"

The humans on our panel thought the stew tasted every bit as good as it looked. The dogs loved it, but they have been known to eat pizza-delivery boxes.

Our conclusion is that the new army sandwich definitely tastes better than the MRE. Of course, so does eating it.

Our Official Taste Test Panel consisted of our wife, Beth, our son, Robert, and our primary caregiver, Ernest.

Neil Young: One of Rock's Longest Shows

By Karen Schoemer New York Times Service

NEW YORK — Neil Young and the Carnegie Deli are two things that probably haven't changed much since the '60s.

Young still has hair the consistency and manageability of reddish-brown straw, and a face that seems carved out of a mountainside.

On an autumn evening, Young is sitting at a back corner table in the Carnegie Deli, on Seventh Avenue at 55th Street.

He has just ordered an egg cream. "I live out in the country, so coming to the city is like a vacation to me," he says.

At 47, after 25 years in the music business, Young is still, in the words of one song from "Harvest Moon," "doin' what I do": writing songs, playing guitar, singing in that strange, high-pitched voice of his.

Some members of his generation, like Eric Clapton, manage to keep their image smart and contemporary; others, like Bob Dylan, have lately seemed to wither.

Young's status as a rock icon can't be pinned on a single period of his history. And that history is long and complex.

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"Harvest Moon" ends a cycle for Neil Young.

It's like trying to get to the top of the water, so you can come into the air. Finally I broke through.

The next year, Young's raging album, "Ragged Glory," and the ensuing live "Weld" — both recorded with Crazy Horse — practically predicted the explosion of grunge rock with their distorted, guitar-driven sound.

More than any other rocker of his generation, Young has an audience that crosses the boundaries of age and cultural experience.

With "Harvest Moon," his 27th solo album, Young has completed another cycle. Gentle, folksy and acoustic, "Harvest Moon" is a kind of sequel to Young's 1972 album "Harvest," which contains his only No. 1 single to date ("Heart of Gold") and remains one of his best-selling records ever.

In making "Harvest Moon," Young used the same group of musicians, the Stray Gators, that played on "Harvest," James Taylor and Linda Ronstadt, who sang backup on "Heart of Gold," added harmony vocals to a new song, "From Hank to Hendrix."

Throughout the new album there is a sense of time passed, of reassessment and rejuvenation. "If there's a message to the whole thing, it's continuance," Young says. "It's about keeping things new and staying fresh. Not just getting into a mold and doing the same things over and over again, but really trying to discover and feel them for the first time. There's a lot of referring to the past, and trying to keep the spark happening, or even more of a spark. Doing things so much that you get better, because of the experience."

Young's current stature is a testament to his experience. Born in Toronto in 1945 and raised in Toronto and Winnipeg, he never finished high school.

"I was a dropout," he says without pride. In the mid-'60s, after working the Toronto folk clubs, he drove to Los Angeles in his Pontiac hearse, searching for a life in music.

By 1967, his first Los Angeles band, Buffalo Springfield, was already a success. "I was just driven to do what I do," he says. "Just complete raw energy focused at this one goal of playing music and making music, making records. I was already doing that when I was 22, so that goal didn't mean much. I'd already attained that. Then I tried to refine what I was about, and make decisions about how to best go along doing it."

Young's albums, beginning with his solo debut, "Neil Young," in 1969, illustrate this process of refining. Throughout the '60s and '70s, his records veered back and forth between the blistered electricity of Crazy Horse and a quieter, rootsy approach, from the near-natural thrust of "Cinnamon Girl" to the schilling acoustics of "Harvest."

In the '80s, though, he seemed to throw his career up in the air and embark on a bizarre series of tangents. "Trans," released in '83, was a weirdly technological effort in which he fed his voice through a computer. "Everybody's Rockin'," also released in '83, was straight-ahead rockabilly, complete with a postmodern Young on the cover. He tried out sentimental country on "Old Ways" in '85, and blithely rhythmic-and-blues on "This Note's for You" in '87.

A few years before the detour began, Young's wife, Pegi, whom he'd married in 1978, had given birth to a son, Ben, who had cerebral palsy. Young's first son, Zeke, born in 1972 to a different mother, also has cerebral palsy.

In a 1989 Village Voice article, Young connected the inaccessibility of his '80s records with his frustration at not being able to communicate with Ben, whom he and Pegi were raising. "Trans" signified the end of one sound and the beginning of another era, where I was indecipherable and no one could understand what I was saying," he says now. "That whole era, there's always something wrong. There's always something between me and what I'm trying to say. The invisible shield."

Yet, he adds: "The more distance I get from the '80s, the more sense the '80s make. I knew what I was doing when I put those records out, and I knew what the reaction would be. I knew what people wanted from me and what they weren't getting. But still I knew that time would go by, and that people would see them like a group of records, almost like a period, if they were paintings. And now, there they are. They're becoming more clear all the time."

PEOPLE

It's a Boy for Stephanie, Palace Tight-Lipped

Princess Stephanie gave birth to a boy and both are "doing well," the Monaco press office said, noting there would be no official announcement from the palace and that the child was named Louis. So whether Stephanie, 27, will marry Louis's father, Daniel Decoster, remains a matter of speculation. Decoster, Stephanie's former bodyguard, accompanied her to the Princess Grace Hospital in Monaco, where the children of her older sister, Princess Caroline, were born. The baby weighed 3.1 kilograms (6.8 pounds).

Yoko Ono and her Hungarian-born husband, Sean, opened an art gallery in Budapest with an exhibition by the American artist Keith Haring warning about AIDS. Haring died of the disease. The widow of the former Beatle, John Lennon, Yoko Ono will show her own works beginning in February.

Joe R. Duncan sold his Southfork Ranch in 1984, four years after the TV soap opera "Dallas" had become a hit, and says he will not let Time Warner buy the ranch now because he is selling such things as Larry Hagman dollar bills and J. R. Ewing beer. Time Warner Entertainment Co. is suing, and he has answered their complaint: "How wash. We're licensed on the TV show. They'll have to call my lawyer." Time Warner says it owns the show trademark and has asked a judge to stop Duncan from selling the products near the ranch.

Roll That Gershwin: Artis Woldarska, a George Gershwin scholar, now has enough rare old player piano rolls of Gershwin's arrangements to start getting them produced on a compact disc. The rolls are among Gershwin's earliest musical creations, dating from between 1915 and 1926, and are among his most obscure, she said. He did about 130 rolls, and 65 excerpts will appear on the first compact disc. Woldarska collected them from around the world.

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Weather forecast section including maps for North America, Europe, Asia, and Oceania, with temperature and precipitation data for various cities.

"Casablanca" AT 50 By Charles E. Gersch

Crossword puzzle grid with clues and a solution key provided at the bottom.

THE PORCUPINE

By Julian Barnes. 138 pages. \$17. Alfred A. Knopf.

Reviewed by Michiko Kakutani

JULIAN BARNES'S new political novel, "The Porcupine" (which perhaps takes its title from a remark once made by Nikita S. Khrushchev: "If you start throwing hedges under me, I shall throw a couple of porcupines under you") takes place in a fictional Eastern European country shortly after the collapse of the Soviet Union.

The country's longtime Communist president, a vulgar, hard-line Marxist named Stoyko Petkanov, has been deposed and is now on trial for crimes against his nation. His archival is the country's

BOOKS

prosecutor-general, an ambitious reformer by the name of Peter Solinsky.

As Barnes tells it, change has come cautiously to this fictional country, beginning with a small protest that grew into a local movement and then a Green party whose ranks soon swelled beyond expectation.

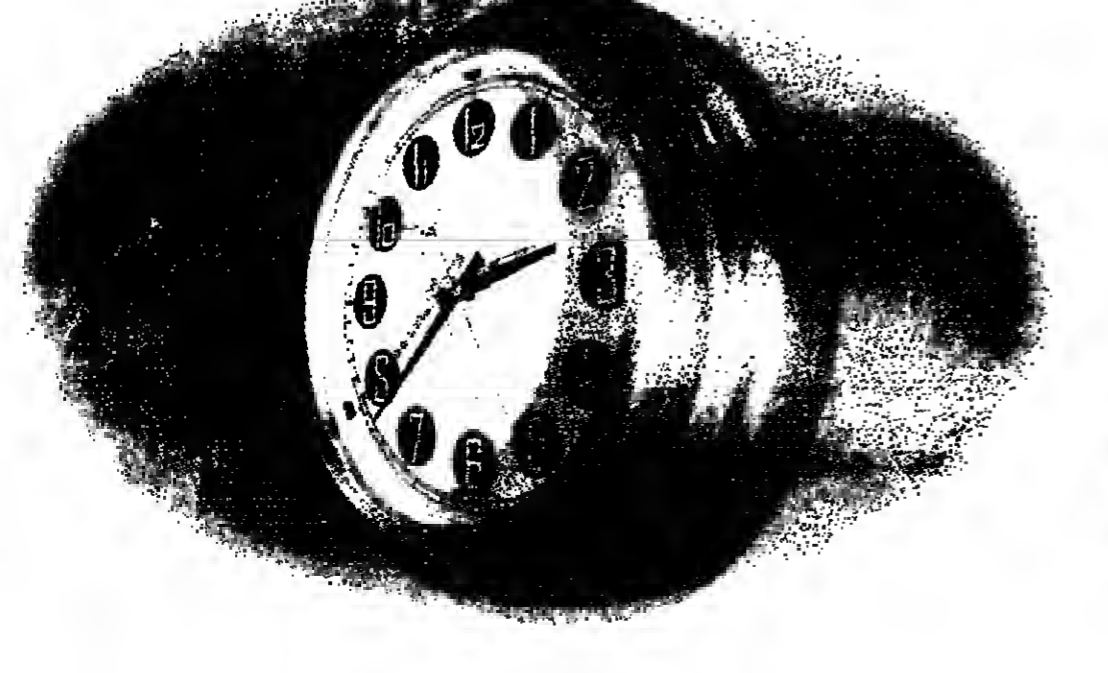
By the time the country's Central Committee realized the danger posed by this new democratic movement, "it was too late then for a purge," too late to avoid the elections forced upon the socialist countries by Gorbachev.

"There had been a revolution, of that there was no doubt," Barnes writes, "but the word was never used, not even in a qualified form, preceded by Velvet or Gentle. This country had the fullest sense of history, but also a great wariness of

retoric. The high expectations of the last years refused to declare themselves in tall words. So instead of revolution, people here spoke only of the Changes, and history was now divided into three quiet parts: before the Changes, during the Changes, after the Changes. Look what had happened throughout history: reformation, counter-revolution, revolution, counter-revolution, fascism, anti-fascism, communism, anti-communism. Great movements, as by some law of physics, seemed to provoke an equal and opposite force. So people talked cautiously of the changes, and this slight evasion made them feel a little safer; it was difficult to imagine something called-the Counter-Changes or the Anti-Changes, and therefore such a reality might be avoidable too."

Of course the cyclic nature of history and the hold that the past can exert over the present have long been favorite themes for Barnes, who explored them at length in his recent novel "A History of the World in 10 1/2 Chapters" and the citizens of the imaginary country depicted in "The Porcupine" discover only too quickly that their dreams of freedom and rebirth are more elusive than they'd hoped. Barnes relates this compelling story with his usual narrative brio. The moral he draws from his story is a pessimistic one: less pessimistic specifically about the remarkable changes that have overtaken Eastern Europe in the last few years, than pessimistic in general about power, politics and the moral tilt of human nature.

Michiko Kakutani is on the staff of The New York Times.



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